I N D E X
Of
WITNESSES

I N D E X
Of
EXHIBITS

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Of

EXHIBITS

(cont'd)

Doc. No.	Pros. No.	Def. No.	Description	For Ident.	In Evidnece
2196-A	851		Agreement Regarding the Establishment of the Joint Economical Committee of Japan and Manchoukuo (Treaty 7 - 7 July 1936		8432
9022-A	852		Series of Secret Communications by the Government Departments during the year 1941		8447

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Tuesday, 22 October, 1946

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INTERNATIONAL MILITARY TRIBUNAL
FOR THE FAR EAST
Court House of the Tribunal
War Ministry Building
Tokyo, Japan

The Tribunal met, pursuant to adjournment, at 0930.

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Appearances:

For the Tribunal, same as before.

For the Prosecution Section, some as before.

For the Defense Section, same as before.

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(English to Japanese and Japanese to English interpretation was made by the Language Section, IMTFE.)

MARSHALL OF THE COURT: The International Military Tribunal for the Far East is now in session.

J O H N G R A N V I L L E L I E B E R T, called as a witness on behalf of the prosecution, resumed the stand and testified as follows:

DIRECT EXAMINATION (Continued)

BY BRIGADIER QUILLIAM (Continued):

Q Witness, will you please proceed with the reading?

A Page 17, paragraph 28, Coal Industry. (Reading)

"Normally, Japan is a substantial exporter of coal, excepting coking coal which is imported. However, in spite of a plentiful supply of coal, Japan regulated the use of coal for productive purposes in conformity with the national policy and stimulated its production. Following the organization of the Fuel Bureau in June 1937, the Coal Division of that Bureau was charged with the conduct of all matters concerning the distribution and use of coal, together with the regulation of transportation, etc., the development of coal resources and the technique of coal mining. This was done in cooperation with the producers.

"29. Industrial planning for war industries

necessarily implied an increase in the production of coal for manufacturing. The reflection of this necessity is disclosed in the Outline of the Plan for the Expansion of Productive Power by the Board of Planning (Part III of IPS Document 1522), which provides that the production of coal should be increased from 58,363,000 kilo tons in 1938 to 78,182,000 kilo tons in 1941."

THE PRESIDENT: 1938 to 1941 in my copy. The year should be 1938, should it not?

THE WITNESS: 1938 to 78,182,000 kilo tons in 1941.

(Reading):

"When one considers the nature of coal mining and its already well developed state in 1938, the proposed expansion is proportionately very large. To provide a mechanism for this planned increased production, coal was named as one of the important minerals, the production of which was to be promoted under the provisions of the Act to Promote the Production of Important Minerals of March 29, 1938. The expense of such an increase in production was enormous. To a small degree the cost of increasing production is disclosed in the fact that the Ministry of Commerce and Industry alone paid a bounty of

20,500,000 yen in 1940 and 19,900,000 yen in 1941 for the stimulation of coal production.

"30. On August 16, 1939, by decree of the Commerce and Industry Ministry, in accordance with Articles 2 and 3 of the Exports and Imports Temporary Management Law, there was promulgated the Coal Sales Control Regulations. These regulations provided that coal producers and coal agents could not sell coal without permission of the Ministry of Commerce and Industry, except sales of less than 250 tons per month, or to privileged named distributors of coal who were charged with carrying out the government policy. This method of controlling the flow of coal into industrial production was most effective, because it forced producers of certain industries to manufacture types of products desired, thus achieving specialized production, This was also true of electric power. By virtue of stimulation of coal production and by limiting the use of coal into what was considered non-essential industries, the actual available supply of coal was increased for war industries.

"31. Continued expansion of industry, however, necessitated further controls over distribution. To tighten distribution control there

was passed the Coal Distribution Control Law, (Law No. 104), April 6, 1940, which provided for the establishment of the Japan Coal Company. This national policy company was created for the purpose of handling and distributing all coal within Japan. The law provided that all producers and importers of coal must sell to the newly created national control company. The Japan Coal Company, an absolute monopoly, was charged with the purchase and sale of all coal, the importation and exportation of all coal, the licensing and investment in coal mining, together with related enterprises and with matters concerning demand, supply and prices. For facilities the Japan Coal Company was empowered to take over the management of existing facilities belonging to private concerns for the distribution and handling of coal. One can hardly envision a more absolute control over an industry than was exercised by the government upon the establishment of this company in conjunction with related laws.

"32. The control of the coal industry and the expansion of it cannot be justified on the basis of sound industrial expansion when one considers that in addition to mining subsidies the government paid in 1941 through the Ministry of

Commerce and Industry alone 94,651,216 yen as a grant for adjusting coal prices to other commodities. This money was paid to subsidize submarginal producers and to equalize the price of coal to users by a pooling arrangement.

"33. Since chemicals play such an important part in the manufacture of explosives, the processing of materials and the manufacture of equipments vital to the war effort, certain of the chemical industries underwent tremendous expansion during the years immediately preceding 1941. Many chemicals are by-products of other industrial activity so that the securing of raw materials in many cases presented no problem; hence, concerted action for production required only the expansion of facilities. A few of the more important chemicals together with their uses and production expansion are outlined.

"ALCOHOL

"34. Ethyl alcohol is used for many purposes among the most important of which are beverages, medicines, synthetic rubber, high explosives and propellants, dyestuffs, lacquer, varnishes and antifreeze. The most important use quantitatively, however, is as a fuel. Prior to 1936 Japan produced only about 11.3 percent of domestic requirements of

ethyl alcohol, the remaining 88.7 percent being imported principally from Formosa and the South Sea Mandated Islands. The normal peacetime consumption of ethyl alcohol has been estimated at about 5,250,000 gallons, which is the 1931 apparent consumption figure. In 1936 the Japanese Government announced a seven year program whereby production in Japan proper would be increased to 39 million gallons a year by 1941. The government subsidized the construction of new plants which enabled a vast expansion to take place. Although the target was not reached the following production table shows an increase from 1935 to 1941 of over 6000 percent.

"ETHYL ALCOHOL PRODUCTION
(Unit - 1000 Kilolitres)

"1935	1.1
1936	1.6
1937	7.1
1938	34.0
1939	44.0
1940	63.0
1941	67.4

"35. In 1938 the government decreed that ethyl alcohol should be mixed with gasoline for motor fuel in order to reduce reliance on the importation of gasoline and to conserve available stocks. The

expansion of the alcohol industry was thus planned and conserved to obtain maximum self-sufficiency, regardless of cost, in order to reduce Japan's vulnerability in event of being shut off from the imports of alcohol, gasoline or oil by wartime blockade.

"36. Japan started production of synthetic methyl alcohol in 1933. It was previously made in small quantities in Japan by wood distillation, but its production was almost negligible since it could not compete in price with the imported synthetic methanol from the United States and Germany. In order to become independent of foreign sources and to achieve self-sufficiency, the Japanese Government promoted the production of the synthetic methanol which is one of the most important of the war chemicals. Its chief use is in the manufacture of formaldehyde (which is used in explosives), plastics, motor fuels, antifreeze and in denaturing ethyl alcohol. Methanol is used directly in the production of explosives and plastics. The following table shows the enormous expansion in this vital chemical during the years immediately preceeding the war.

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"SYNTHETIC METHYL ALCOHOL PRODUCTION
(Unit - Metric Tons)

"1932	0
1933	162
1934	2, 785
1935	3, 457
1936	4, 369
1937	6, 626
1938	9, 776
1939	11, 224
1940	12, 788
1941	19, 906

"BUTANOL

"37. In wartime butanol is invaluable as a raw material in the production of aviation fuels with high octane values. It is also used as a plasicizer and solvent in explosives and plasitcs. Its major peacetime use is that of a solvent in the cellulose lacquer industry. Prior to the China Incident Japan was almost entirely dependent on imports from the United States for its requirements of butyl alcohol, or butanol. After 1937 Japan pushed plans for self-sufficiency in this industry. As the following production table reveals there was an increase in production of 1,950 percent between 1936 and 1941:

LIEBERT DIRECT

"BUTANOL PRODUCTION
(Unit Metric Tons)

"1932	22
1933	49
1934	77
1935	117
1936	87
1937	132
1938	160
1939	289
1940	629
1941	1,784

"GLYCERINE

"38. Glycerol or glycerine, is another important chemical which is used in the manufacture of explosives, synthetic resins, antifreeze, pharmaceuticals, cellophane, leather and rubber products, and as a solvent and moistening agent. Japan was ordinarily dependent on the imports of glycerine or glycerol to meet requirements. The Japanese Government, to become self-sufficient in glycerine production, promoted the expansion of this industry through subsidies. It also promoted the domestic production of raw materials by restricting fat imports. The following shows the expansion of indigenous glycerol production in the years immediately preceding the war."

LIEBERT DIRECT

	"GLYCERINE PRODUCTION (Unit - Metric Tons)
"1930	4,963
1931	3,875
1932	6,312
1933	6,281
1934	6,921
1935	8,535
1936	8,342
1937	8,405
1938	10,473
1939	10,387
1940	8,292
1941	7,158

MR. LOGAN: If the Tribunal please, I think it would facilitate the cross-examination if counsel or the witness would tell us where he got these figures, from where he got these figures, specific source of them. We understand he got those figures all during his investigation but we have no way to checking these figures to enable us to cross-examine.

BRIGADIER QUILLIAM: If the Tribunal please, it was decided that it would make the paper the witness has prepared far too cumbersome if at every point he were to give the source of his information. He is able to give that information with respect to the

material contained in the paper and it is submitted that the proper place to obtain that information is on cross-examination.

THE PRESIDENT: The witness may be able to tell you, not here but when you are conferring with him later, where he got those figures and that can be passed on to the defense. But that is a matter for you entirely, Brigadier. One suggests the Japan Year Book as a source of some of them, at all events.

BRIGADIER QUILLIAM: May I venture to remind the Tribunal that the defense have had the English copies of this statement for over eighteen days and no request has been made for information of that kind.

Witness, will you please proceed with the reading?

THE WITNESS: (Reading)

"ACETONE

"39. Acetone is chiefly used as a solvent in making smokeless powders. It is also used in the making of lacquers, methyl methacrylate resins, and substitute glass. In 1941 over 40 per cent of the acetone production was used in making organic glass for airplanes. The following production table shows an increase of production between 1932, a

relatively normal year, and 1941 of over 27,000 per cent.

"ACETONE PRODUCTION

(Unit - Metric Tons)

"1932	11
1933	26
1934	52
1935	60
1936	258
1937	472
1938	1,734
1939	2,053
1940	2,182
1941	2,972"

"NITRIC ACID

"40. Nitric Acid is an ingredient common to the great majority of important modern warfare explosives. It is used to nitrate a variety of organic materials as follows:

"a. Coal Tar Dorivatives including benzene, toluene, picric acid among the high explosives; other coal tar fractions such as naphthalene, cresoles and xylene which can also be nitrated into serviceable explosives.

"b. Cellulose and other plant materials

to make nitro-cellulose, the basis of all modern military propellants.

"c. Glycerol and related materials to make nitroglycerine used as a component of double base powders and as a compound of dynamite.

"d. Formaldehyde and similar materials with ammonia to yield hexogen, and with acetaldehyde to produce PETN, both important military high explosives not based on coal tar derivatives.

"The increase in Nitric Acid production is shown in the table below together with the production and available supply of fixed nitrogen during the years immediately preceding the war.

"NITRIC ACID PRODUCTION — FIXED NITROGEN PRODUCTION
"Metric Tons 937 Concentrate — & IMPORT
Unit Metric Tons

"Production		Production		Imports	Available Supply
"1930	4,178	1930	69,900	73,050	142,950
1931	6,401	1931	72,400	63,680	136,080
1932	9,703	1932	114,500	54,800	169,300
1933	14,845	1933	128,000	46,650	174,650
1934	20,781	1934	143,800	56,860	200,660
1935	23,370	1935	198,360	75,000	273,360
1936	30,494	1936	250,930	90,500	341,430
1937	45,593	1937	287,045	57,400	344,445

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1938	79,302	1938	316,195	71,600	387,795
1939	85,165	1939	282,015	35,200	317,215
1940	86,242	1940	323,095	74,700	397,795
1941	92,119	1941	355,230	33,300	388,530

"DYES

"41. The following table concerning the production of dyes is included because the raw materials used in dye production are the same as those used in the manufacture of explosives from coal tar derivatives.

"DYES - PRODUCTION
(Unit - Metric Tons)

"1930	7,300
1931	9,700
1932	14,000
1933	16,000
1934	17,100
1935	19,400
1936	19,100

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1937	21,400
1938	22,900
1939	27,600
1940	23,200
1941	21,800

"PLASTICS

"42. The Japanese have manufactured all the leading types of plastics for many years but

particularly great increases in production were made after 1937 to carry forward the self-sufficiency program. Since the raw materials required to make the type of plastics based on coal tar distillation products were also required to make explosives, efforts were made to develop plastics based on other than coal tar distillation products. The production of acrylic resin began in 1938. It is very superior transparent resin that is used in making shatter-proof glass for airplanes. The cost of producing this plastic is too high for ordinary consumers and the whole production was taken by the military.

"43. Vinyl acetate resins and the products thereof are used in the manufacture of synthetic fabrics, for waterproofing fabrics, as adhesives, as a latex substitute, in electric cable coatings, in tank linings and as finish on metals to make them chemically resistant.

"44. The tar acid resins, having a large number of useful characteristics and the advantage of low production cost, remained the most important of the plastics that were used although they are derived from coal tar. They are used for making telephone and radio instruments, electrical accessories, protective helmets, valves, building materials, air-

plane parts, instrument panels and housing, etc.

The following tables show the expansion of production of these three chemicals during the years immediately preceding the war:

"ACRYLIC RESIN PRODUCTION "Unit-Kilograms		VINYL ACETATE RESINS PRODUCTION Unit-Kilograms		TAR ACID RESINS PRODUCTION Unit-Metric Tons	
"1932 to 1937-none		1933 to 1935-none		1930	300
1938	63,000	1936	2,000	1931	500
1939	276,100	1937	3,000	1932	700
1940	208,516	1938	21,000	1933	1,000
1941	348,989	1939	38,000	1934	1,400
		1940	31,000	1935	1,500
		1941	28,000	1936	2,000
				1937	3,500
				1938	3,600
				1939	4,500
				1940	5,100
				1941	6,100

"COKE AND COKE OVEN BY-PRODUCTS

"45. Since coke and coke oven by-products are indispensable in manufacturing war equipments and explosives Japan's preparation for war is strikingly apparent upon investigation of the expansion of the coke by-products industry. The most important coke by-products and their industrial uses are shown

as follows:

"INDUSTRIAL USES OF COKE BY-PRODUCTS

"BENZENE

"Explosives	Polishes	Celluloid &
Pharmaceuticals	Varnishes	Rubber
Perfumes	Lacquers	Synthetic
Dyestuffs Intermediates	Artifical Leather	Rubber
Photographic Developers	Rubber cement	Motor Fuel
Enriching Gas	Textile Soaps	
Numerous organic	Extracting Wakes	
chemicals	Solvents	

"TOLUENE

"Explosives	Numerous organic	Solvent for
Dyestuffs Intermediates	chemicals	Rubber
Rubber Cement	Pharmaceuticals	Saccharin
Finishes for Leather	Solvents	Varnishes
	Perfumes	

"NAPHTHALENE

"Explosives	Plastics	Lubricating
Dyestuffs Intermediates	Artifical	Compositions
Dyestuffs	leather	Insecticides
Synthetic resins	Varnishes	Binder
Synthetic tannins	Solvents	
Organic chemicals	Phthalic Acid	

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"Lacquers	Disinfectant	Enriching Gas
Rubber reclaiming		
Wood preservatives		
	"PHENOL	
"Explosives	Organic Chemicals	Germicidal Composition
Pharmaceuticals	Disinfectants	
Dyestuffs	Photographic Developers	Antiseptic
Perfumes		
Phonograph Records		Artificial Tannin
Insulating Materials	Plastic Compositions	Synthetic Resins
Synthetic Rubber	Development agent in dyeing and printing textiles	Paint & Varnish Remover
		Detergents
	"CRESOLES	
"Explosives	Paint & Varnish Removers	Softening & reclaiming rubber
Disinfectants		
Fumigants	Leather Preservative	
Photographic Developers		Synthetic Resins
Printing Inks	Solvents	Pharmaceuticals
	Grinding Compounds"	

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Greenberg & Barton

"The following tables show the expansion of the coke oven by-products industries and clearly demonstrate increased war potential.

"BENZENE PRODUCTION
(Unit - 1000 Metric Tons)

"1930	5.0
1931	6.0
1932	7.7
1933	9.9
1934	34.9
1935	26.3
1936	31.3
1937	33.1
1938	54.9
1939	60.5
1940	76.1
1941	88.1"

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"TOLUENE PRODUCTION & IMPORTS
(Unit - 100 Metric Tons)

	Production	Imports	Supply
"1930	.5	no data	-
1931	.5	no data	-
1932	.8	.5	1.3
1933	1.2	1.0	2.2
1934	1.6	.5	2.1
1935	2.0	.5	2.5
1936	2.3	1.0	3.3
1937	2.8	1.0	3.8
1938	4.6	3.1	7.7
1939	5.2	5.2	10.4
1940	6.1	1.3	7.4
1941	7.4	.7	8.1"

LIEBERT DIRECT

"TOLUENE PRODUCTION & IMPORTS
(Unit - 100 Metric Tons)

	Production	Imports	Supply
"1930	.5	no data	-
1931	.5	no data	-
1932	.8	.5	1.3
1933	1.2	1.0	2.2
1934	1.6	.5	2.1
1935	2.0	.5	2.5
1936	2.3	1.0	3.3
1937	2.8	1.0	3.8
1938	4.6	3.1	7.7
1939	5.2	5.2	10.4
1940	6.1	1.3	7.4
1941	7.4	.7	8.1"

LIEBERT DIRECT

	"NAPHTHALENE Metric Tons	PHENOL Metric Tons	CRESOLS Metric tons
"1930	8277	1104	1930
1931	8760	1168	2070
1932	9765	1302	2275
1933	11745	1566	2740
1934	12060	1608	2810
1935	13509	1800	3150
1936	15894	2119	3710
1937	22770	3036	4300
1938	25302	3373	5850
1939	28347	3780	6620
1940	29558	3874	6780
1941	30462	4062	7100

"46. The foregoing illustrations show the rapid advance in the chemical industry and the great number of uses of important chemicals. In time of war, because of these many uses of chemicals it is a simple process to convert the end output of the industry from civilian products to war materials production. It is noted in Appendix I of the 'Outline of the Five-Year Plan for the Production of War Materials' (IPS Document 9002) that Chemical Works were expected to be converted to the supplying war materials of many sorts.

"47. In addition to subsidies, both direct

and indirect, to stimulate chemical production the Synthetic Chemical Industry Law of 1940 was designed to promote the chemical industry as a whole by restricting undue competition. It provided for licensing establishments producing rubber, toluol, benzol, methanol, butanol, ascetic acid, resin and synthetic fibre. This sort of licensing control allowed the government, as in the cases of other specific industries, to dominate expansion of special chemical production enterprises and by regulation of products of the [illegible]nary industries concerned, to regulate the amount and kind of the chemical and product.

"SHIPBUILDING INDUSTRY

"48. The conduct of war in foreign territory necessarily demands adequate ocean transportation facilities. Support of an army in Manchuria and the need for shipping to bring necessary imports brought about an early expansion of shipbuilding by Japan. In 1932 the Japanese Government made an important decision when, with a view to improving the unfavorable age of Japanese ships and to reduce the frequency of marine casualties, it introduced the first of the 'scrap and build' programs. The first program which took effect October 1, 1932, provided for the construction of 200,000 gross tons of new shipping on condition

that two tons of vessels of 25 years or over were scrapped for each ton of new vessel built under subsidy. Each new vessel had to be 4,000 gross tons or over, capable of at least 13½ knots of speed and built in a Japanese shipyard. Under this scheme approximately 200,000 gross tons, amounting to 31 new vessels, were built with a total Government subsidy of nearly 11,000,000 yen. The second and third 'scrap and build' programs which took effect in 1935 and 1936, respectively, produced a combined result of the construction of 100,000 new gross tons with a subsidy of little more than half that under the first program. The vessels built under these second and third programs had gross tonnages of 4,000 or over and were capable of at least 15 knots of speed. Thus, between the years 1932 and 1937 there were built approximately 48 fast, new and large cargo ships of approximately 300,000 gross tons giving Japan more tonnage less than five years old in proportion to her total tonnage than any other nation in the world. A fourth production program came into operation in April, 1937 providing for the subsidized construction of superior passenger and passenger-cargo liners of not less than 6,000 gross tons of 19 knots of speed. The subsidy rate for this building program was in some cases one-half the build-

ing cost.

"49. Other indirect assistance to shipbuilding was given by the Iron Manufacturing Industry Law Enforcement Ordinance No. 507, of September 20, 1937, which provided subsidies for iron manufacturers who gave special consideration to the manufacture of steel plates, tubes and pipes, wire and rod including turbine blades, etc., all of which were essential to the expanding shipbuilding program.

"50. The Outline of the Plan for the Expansion of Productive Power by the Board of Planning (Part III of IPS Document 1522) demands an expansion of ships from 402,000 gross tons in 1938 to 650,000 gross tons by end of 1941 or roughly an expansion of one-third. Because the program did not move forward quickly enough, the Shipbuilding Industry Law (Law No. 71) was promulgated April 5, 1939. The purpose of the Shipbuilding Industry Law was to sanction and provide subsidy and loss indemnification to encourage shipbuilding. Basically, the law operated to allow the Imperial Government to make contracts with banking organizations that provided funds for shipbuilding or for buying ships, and to indemnify the loss they might incur by accomodation of the funds. By the same law the Government was authorized to issue public loans to the necessary limit

and to pay the indemnity in bonds. The shipbuilding industry was brought under strict government supervision by a system of licensing production. Further, the establishment of new enterprises, amalgamation and cessation of work of the shipbuilding companies was made subject to government permission. When it was deemed necessary in the public interest, the Government was empowered to order the installation, enlargement and improvement of equipment, together with the repair of vessels, engines and equipment. For this supervision the shipbuilders were given the right of eminent domain, allowed to issue debentures up to twice the amount of the paid-up capital, were granted direct subsidies and indemnified for any losses incurred in the execution of the Government orders.

"51. By a series of regulations the Government standarized types of cargo vessels and in general systematized the control of the industry. Direct participation in the equipping of the shipbuilding industry by the Government for war purposes was further provided for by the Industrial Equipment Corporation established by legislation in November 1941. One of the prime purposes of this corporation, details of which will be cited later, was to equip shipyards and build ships. Thus by December, 1941 the shipbuilding

industry of Japan had for several years been rigidly controlled.

"IRON MANUFACTURING INDUSTRY

"52. Japan has always been deficient in the indigenous production of iron for the development of heavy industries and industrial purposes generally. Ever since the turn of the century the iron industry has been subsidized because of the high cost of production. However, it was not until the passage of the Japan Iron Manufacturing Company Law, April 6, 1933 (Law No. 47), that the government directly took a leading part in the iron industry as an operator. The aforementioned Law established the Japan Iron Manufacturing Company, a national policy company, for the development of the iron manufacturing industry and the sale of iron and steel. This Company, controlled, directed and financed by the government subsequently became the largest producer of iron in Japan and the hub of the iron industry.

"53. With the commencement of activities of the Planning Board further special attention was given to stimulating and controlling iron and steel production. On August 12, 1937 (Law No. 68), the Iron Manufacturing Industrial Law was passed to develop iron manufacturing industries of Japan and to

strengthen national defense. This Law provided that persons wishing to inaugurate iron manufacturing enterprises or suspend or alter facilities must first obtain permission of the government. Those who developed iron manufacturing enterprises under this law were entitled to expropropriate land under the Land Expropriation Law if their annual capacity was over 100,000 tons. Likewise, other privileges were extended to those willing to engage in iron manufacturing, such as exemptions from income and business property taxes and exemption from import duty on machinery, equipments and materials necessary to the industry. Special tax exemptions were given to those manufacturers who commenced the production of pig iron from iron sand and iron ore. This practice is exceedingly uneconomical because iron sand is very low grade ore and can be smelted into pig iron only at high production cost. Under certain conditions the government was empowered to grant other subsidies for the development of the iron industry. The subsidies paid by the Ministry of Commerce and Industry alone as a bounty for iron production were as follows:

1939	1,799,966 Yen
1936	1,400,361 Yen
1937	1,941,539 Yen

1938	3,865,407 Yen
1939	2,005,791 Yen
1940	4,050,017 Yen
1941	1,894,050 Yen

This bounty was in addition to other subsidies. In the subsequent Iron Manufacturing Industries Law Enforcement Ordinance, Imperial Ordinance No. 507, dated September 20, 1937, there were set out special rates of subsidies for:

(1) Steel ingot and steel billet for forging.

(2) Wire and rod, including turbine plates.

(3) Steel plates.

(4) Tube and pipe.

These materials are all used in the building and repair of steel ships.

"54. For all these privileges and subsidies the government, under the Iron Manufacturing Industrial Law was empowered to direct iron manufacturers on matters of sale prices, terms of sale, expansion and improvement of facilities, changes in operating methods and such other actions as were necessary to control the kind and direction of iron manufacturing enterprises. As was the case in many other industries, the mechanism for control of iron manufacturing was the cartel, or control association system by which substantial

producers of iron were allowed to effect understandings among themselves under the control, guidance and approval of the government. Peculiar to the iron industry, however, is the fact that the controlling influence in the association was always the government controlled Japan Iron Manufacturing Company which acted as a private corporation.

"The Act to Promote the Production of Important Minerals, Act No. 35, March 29, 1938, specified iron as one of the important minerals. Under this law the government could order all owners of mining rights to commence mining operations or sell their mining rights to those who would do so. Such artificial stimulation of production, with no relation to production costs, brought many submarginal producers into the field. But even with all the forces of special legislation to promote indigenous production, Japan continued to import enormous quantitites of not only pig iron but also iron ore."

"55. Scrap iron is an important material in the production of finished steel. Enormous quantities of scrap iron were imported and efforts were made to collect and conserve local scrap. On November 21, 1938, a decree of the Commerce and Industry Ministry set up the Scrap Iron Distribution Control Regulations relating to collection and use of scrap iron and steel. To facilitate the handling of scrap iron and raw materials there was inaugurated a special control company which had the monopoly over such distribution and sale. The actions of this control company were directed by the government.

"56. The Outline of the Plan for the Expansion of Productive Power by the Board of Planning (Part III of IPS Document 1522) indicates the emphasis placed on increasing indigenous production of iron and steel in conformity with the national policy. The schedules of planned increase are as follows."

THE PRESIDENT: Brigadier Quilliam, the Tribunal will be satisfied if only the figures for 1938 and 1941 are read.

THE WITNESS: (Continuing Reading)

	"1938	1941
"Steel Material Ordinary Steel	4,615,000	7,260,000
"Special Steel, pig, cast steel	520,000	1,000,000
"Steel Ingots	6,310,000	9,950,000
"Pig Iron	3,300,000	6,362,000
"Iron Ore	2,250,000	5,700,000

"57. Many additional regulations controlling the use of iron and iron products were promulgated. It is interesting to note that there were certain favored industries into which iron was channelled as a basic material. For instance, under the Cast Iron Manufacturing Facilities Restricting Regulation of September 23, 1939, Commerce and Industry Department Regulation No. 55, it is provided that:

'persons planning to establish or expand or alter (only in case of capacity increase,) cast iron manufacturing facilities must obtain permission from the Minister of Commerce and Industry. But exceptions are provided in the following cases:

'(1) Establishment, expansion or alteration of cast iron manufacturing facilities by a company which is established by a special ordinance or by approval, per-

mission, or licensed of an administrative office of the government ***.

'(2) Establishment, expansion or alteration of cast iron manufacturing facilities used for industries permitted by the Automobile Manufacturing Industrial Law, the Machine Tool Manufacturing Industry Law, the Aircraft Manufacturing Industry Law and the Shipbuilding Industry Law ***.'

The integration of the various production stimuli for the purpose of advancing special wartime production as desired is obvious.

"58. In addition to the emphasis placed upon the indigenous production of iron, so essential to wartime economy, the government did not stop the importation of iron ore, scrap and manufactured iron. The various plans of the Planning Board always place great stress on the securing of the natural deficiencies of these products. That the iron and steel industry, by virtue of the various governmental actions, underwent an enormous expansion is indicated in the following tables marked

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'(2) Establishment, expansion or alteration of cast iron manufacturing facilities used for industries permitted by the Automobile Manufacturing Industrial Law, the Machine Tool Manufacturing Industry Law, the Aircraft Manufacturing Industry Law and the Shipbuilding Industry Law ***.'

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"TABLE A - Production and Imports of Iron Ore,
Japan Proper
"TABLE B - Production and Imports of Pig Iron,
Japan Proper
"TABLE C - Production and Imports of Steel Scrap,
Japan Proper
"TABLE D - Production and Imports of Finished Steel,
Japan Proper
and the attached chart marked 'Steel Production and Imports in Japan Proper,' which is a graphic reproduction of the Table:"

BRIGADIER QUILLIAM: May it please the Tribunal, it is suggested that in respect to the four tables that now appear, if the witness were to read the year, the first column, "Production in Japan," and the last column, "Total Supply," that would be sufficient.

THE PRESIDENT: Yes, that will.

THE WITNESS: (Continuing Reading)

"TABLE (A)

PRODUCTION AND IMPORTS OF IRON ORE, JAPAN PROPER
1926 - 1941"

The unit is Thousand Metric Tons.

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Year	Production in Japan	Total Supply
1926	130	1,023
1927	160	1,267
1928	158	2,001
1929	170	2,438
1930	246	2,508
1931	208	1,935
1932	227	1,861
1933	320	2,099
1934	432	2,744
1935	516	4,163
1936	619	4,642
1937	584	3,897
1938	766	3,978
1939	850	5,799
1940	993	6,122
1941	1,334	6,392"

THE PRESIDENT: It may be important to know the imports from Korea and Manchuria. But, for that purpose, it may be sufficient to quote the line for 1936 and that for 1941, the first and last lines.

BRIGADIER QUILLIAM: I misunderstood your Honor's directions.

THE PRESIDENT: I am trying to give effect to the wishes of some Members of the Tribunal. I want everybody's wishes to be met, if possible, Brigadier Quilliam.

THE WITNESS: (Continuing Reading)

"TABLE (A)

Imports from Korea and Manchuria, 1926, 99,000 metric tons.

Imports from Korea and Manchuria, 1941, 812,000 metric tons.

TABLE (A) --"

BRIGADIER QUILLIAM: Table B, isn't it?

THE PRESIDENT: If I gauge the feeling of my colleagues correctly, it will be sufficient to read the first and the last lines of that table.

THE WITNESS: (Continuing Reading)

"TABLE (B)

"PRODUCTION AND IMPORTS OF PIG IRON, JAPAN PROPER

1926 - 1941

(Thousand Metric Tons)

Year	Production in Japan	Imports from Korea & Manchuria	Other Imports	Total Supply
1926	810	105	400	1,315
1941	4,233	691	93	5,017"

BRIGADIER QUILLIAM: May I take it, your Honor, that the next table, the same procedure applies?

THE PRESIDENT: The same applies. This statement has not yet been finally tendered, I notice, on reading the transcript, Brigadier Quilliam. It must be finally tendered so that we may be able to refer to the tables in it.

BRIGADIER QUILLIAM: Will you continue, please, witness?

THE WITNESS: (Continuing Reading)

"TABLE (C)

PRODUCTION AND IMPORTS OF STEEL SCRAP, JAPAN PROPER

1926 - 1941

(Thousand Metric Tons)

Year	Domestic Supply	Imports from Manchuria	Other Imports	Total Supply	Consumption for Steel Mak'g
1926	707	-	80	787	619
1941	3,430	4	199	3,633	3,418

"TABLE (D)

PRODUCTION AND IMPORTS OF FINISHED STEEL, JAPAN PROPER

1926 - 1941

(Thousand Metric Tons)

Year	Production in Japan	Imports	Total Supply
1926	1,507	34	1,541
1941	6,844	152	6,996"

BRIGADIER QUILLIAM: May it please your Honor, I offer in evidence the original of the chart shown on page 43-A, being IPS document No. 9030-43-A.

THE PRESIDENT: Admitted on the usual terms.

CLERK OF THE COURT: Prosecution's document No. 9030-43-A will be marked exhibit No. 845.

(Whereupon, the document above mentioned was marked prosecution's exhibit No. 845 and received in evidence.)

THE PRESIDENT: Brigadier Quilliam, it has been suggested to me that perhaps these graphs that you are tendering might be embodied in the transcript -- might be just put in a place in the transcript, as they are in this statement, by the witness.

I realise that there are hundreds of transcripts issued and that you may not have hundreds of graphs. Reply after recess when you think it over.

We will recess now for fifteen minutes.

(Whereupon, at 1045, a recess was taken until 1100, after which the proceedings were resumed as follows:)

MARSHAL OF THE COURT: The International Military Tribunal for the Far East is now resumed.

THE PRESIDENT: Brigadier Quilliam.

BRIGADIER QUILLIAM: Mr. President, I have ascertained, that, if the Tribunal so directs, the charts can be included in the transcript.

THE PRESIDENT: There will be no opposition to it, Brigadier.

BY BRIGADIER QUILLIAM: (Continued)

Q Will you please continue reading, witness, at paragraph 59?

A (Reading):

"59. The type of development demonstrated in the above Chart was the creation of an artificial finished steel industry. It is noted that by far the greater percentage of iron ore was imported into Japan. Only the processing of finished materials was done. Thus Japan had to rely almost wholly on imports of basic ore to have any iron manufacturing industry at all. This development is quite contrary to the normal manner which is a natural development from existing raw materials. It goes without saying that Japan's iron industry was uneconomic and was developed only in support of a national program which demanded iron products. Since iron is a basic

raw material the purpose of this enormous expansion is shown in increased production of those products principally using iron in their manufacture. Specific reference is made to the shipbuilding industry, automobile and tank industry, heavy machine industry, machine tool industry, heavy armaments and others of a like nature. All of these products are the end products of iron industry directly and indirectly important to conduct of war.

"LIGHT AND NON-FERROUS METAL PRODUCTION INDUSTRY

"60. While special attention was paid by the Japanese Government to the stimulation of the production of certain minerals by specific law, as in the case of iron, gold and petroleum consideration was also given to the stimulation of the production of other minerals and metals as an important part of the program for supplying basic raw materials for war industries. For the production of light metals and non-ferrous metals, the Outline of the Plan for the Expansion of Productive Power by the Board of Planning (Part III of IPS Document 1522) specifically set goals to be reached by the end of 1941.

"61. Aluminum is perhaps the most important

of the light metals, particularly so when one considers that approximately 71 per cent of the Japanese aircraft and parts alone were made of aluminum. Other uses were for personal equipment, rolling stock and all those products where lightness in weight as well as strength is a factor of mobility. The importance of aluminum to war production is disclosed in the emphasis which the Board of Planning placed upon increasing its production. That Plan calls for the expansion in local production of from 19,000 kilo tons in 1938 to 126,400 kilo tons in 1941, or an expansion of approximately 667 per cent in four years. The actual extent to which the indigenous aluminum industry was expanded is shown in the following table marked 'Aluminum Production, Imports and Consumption in Metric tons' and more graphically illustrated in the attached chart marked 'Aluminum Production in Japanese Empire.'"

THE PRESIDENT: Would you tell us the effect of that in a line or two?

THE WITNESS: May it please the Tribunal, the effect of this chart is to show that from no production at all of aluminum in 1932, Japan expanded the production of aluminum from all sources to 56,080 metric tons at the time of the commencement of the war

in 1941. It indicates further, may it please the Tribunal, that in the period of a very few years Japan built an entirely new industry for the purpose of providing sufficient equipments to satisfy her war needs. (Reading):

"62. --

BRIGADIER QUILLIAM: May it please the Tribunal, I offer in evidence the original of the chart on page 46A, which is IPS document 9030-46A.

THE PRESIDENT: Admitted on the usual terms.

We want copies of all charts to go in the record, if you can arrange it, Brigadier, as I understand you can.

BRIGADIER QUILLIAM: Yes, sir.

THE PRESIDENT: I should say in the transcript of the record; the transcript of the proceedings here.

CLERK OF THE COURT: Prosecution document No. 9030-46A will be marked exhibit No. 846.

(Whereupon, the document above referred to was marked prosecution's exhibit No. 846 and was received in evidence.)

Q Will you continue, please?

A. (Reading): "62. It is significant that prior to 1934 Japan imported all of the aluminum needed for her economy. The industry was advanced at great cost, uneconomically, to achieve self-sufficiency to insure material for aircraft and other production.

"63. Magnesium is a second strategic light metal which has manifold uses for war products. The Board of Planning provided that magnesium production should be increased from 1,123 kilo tons in 1938 to 11,000 kilo tons in 1941, or roughly an expansion of 979 per cent in four years. The actual expansion of the indigenous production of magnesium fell far short of the hopes of the Planning Board as disclosed in the following production table:

"MAGNESIUM PRODUCTION

"(Unit Kilo Ton)

"1935 332

* * *

"1941 2,687

The above table indicates, nevertheless, the enormous expansion of the magnesium industry during the period 1935 to 1941.

"NON-FERROUS METALS

"64. Copper is one of the most important of the non-ferrous metals, having many war uses among which is the manufacture of projectiles, shell cases, sheeting, electric equipment, communications equipment, alloys, etc. The Board of Planning provided for an increase in indigenous production of copper from 97,406 kilo tons in 1938 to 179,000 kilo tons in 1941, or an expansion of roughly 80 percent. The extent of the development and increase in indigenous copper production is shown by the following table which shows the increase of local production of refined copper, together with the ever-increasing imports showing available supplies for military use.

"REFINED COPPER

"(Unit - Metric Tons)

	PRODUCTION	IMPORTS	TOTAL
"1931	77,900	2,100	80,000
	* * *		
"1941	133,800	700	134,400

"65. Lead is another extremely important war material, used in the manufacture of bullets, waterproof cables, communications equipments, pipes, solder, batteries, paint, alloys, etc. The Board of

Planning provided for the expansion in indigenous lead production from 18,744 kilo tons in 1938 to 35,550 kilo tons in 1941, or an increase of approximately 90 percent. The expansion in the indigenous production of lead is shown by the following production and import table. Inasmuch as sufficient lead is not to be found in Japan proper, it is significant that the total amounts of imports shown in the table continue to increase along with indigenous production. This fact indicates enormous uses of this commodity during the years prior to war and increased stocks available for war purposes.

"LEAD PRODUCTION

"(Unit Metric Tons)

	PRODUCTION		IMPORTS
"1932	6,415	1932	55,954
	* * *		
"1941	25,716	1941	78,538

* * *

"66. Zinc ranks with lead in industrial importance. The indigenous production of zinc was planned to be increased from 55,800 kilo tons in 1938 to 95,000 kilo tons in 1941, or an increase of approximately 70 percent. Zinc is used for corrosive resistant coatings on iron and steel, in the making

of brass, bronze, die-castings, etc. Normally, zinc and lead are found together in their natural state so that the stimulation in the production of one would normally result in increased production of the other. Inasmuch as both have important war uses it was desired to increase the indigenous production of both. The following table indicates the extent of the increased indigenous production of zinc, together with imports. As in the case of lead, imports of zinc continued during the same years that increased indigenous production is shown. This fact again indicates enormous uses of this material in production during the years immediately preceding the war and heavy stocks available for war production purposes.

"ZINC

	PRODUCTION		IMPORTS
"1932	27,043	1932	26,572
	* * *		
"1941	61,092	1941	6,324

"67. Nickel is considered a strategic war material occupying the prominent place in the manufacture of alloys of many sorts. The normal requirements of nickel for Japan are very low. Shortly prior to the China Incident, Japan began to

stockpile this critical metal and increased her imports during the following years. When Japan found it difficult to continue the importation of nickel she proceeded to produce nickel from domestic ores which were of a very low grade. So uneconomic was this process that the government subsidized production to the extent of from 1200 yen to 1500 yen per ton. The subsidies for increasing the production of nickel paid by the Ministry of Commerce and Industry alone were as follows:

"1939	94,690 Yen
"1940	149,710 Yen
"1941	206,000 Yen

"68. The Board of Planning demanded a production increase of from 150 kilo tons in 1938 to 5,000 kilo tons in 1941, in spite of the fact that such production was almost a physical impossibility. The emphasis placed upon self-sufficiency in the production of nickel in spite of the manifold attendant difficulties is an excellent example of the type of uneconomic national planning indulged in for war production purposes. The following table shows imports of nickel, together with the smelter production from domestic ores:"--

BRIGADIER QUILLIAM: May it please the

Tribunal, a mistake was made at the top of this table in referring to zinc in two places instead of nickel. I understand it is being corrected on the Court copies but I mention it now for the benefit of those who have copies which have not been corrected.

THE PRESIDENT: The Judges' copies have been corrected.

Q Will you please continue reading?

A (Reading continued):

"NICKEL SMELTER PRODUCTION From Domestic Ores (Unit Kilo Tons)		IMPORTS OF NICKEL AND PRODUCTION From Imported Ore (Unit Kilo Tons)	
"1937	None	"1933	1,595
	* * *		
"1941	1,823	1941	384

"69. Tin is another metal vital for war equipment purposes and the Board of Planning provided that its production should be increased from 1804 kilo tons in 1938 to 3,500 kilo tons in 1941, or an expansion of approximately 100 percent. Tin is not found in Japan proper but small quantities of tin are found within the Empire. The following table shows the expansion of the indigenous production of tin, together with the enormous expansion in imports

of that commodity and the amount of tin available during the years immediately preceding the war.

"TIN

"(Unit-Kilo Ton)

	Production	Imports	Total Available Supply
"1931	1015	3330	4345
"1941	6419	1804	7223

"70. While there were many laws and regulations passed for the benefit of special mining companies and enterprises operating under favors of the government, a further definite stimulus to indigenous mineral production generally was the Act to Promote the Production of Important Minerals of March 29, 1938. This Law provided that all operators of mines were to be licensed and that all owners of mines and mining rights had to submit for approval, by the government, a plan for the development of their mines and rights. In the event that the government ordered the commencement or recommencement of mining operations, which were not satisfactorily carried out by the owners, the government could order the sale of mines and rights.

"This, of course, forced the development of nearly every type of mineral production. The important minerals named in the law to be given consideration

were gold, silver, copper, lead, tin, antimony, mercury, zinc, iron, iron sulphide, chromite, magnesium, molybdenum, nickel, cobalt, coal, lignite, sulphur, alluvial gold, iron sand and others to be decided by Imperial Ordinance. The law further provided that the government could order the owner of a mine to construct, enlarge, or improve mining equipments and could give orders concerning the working progress as well as qualification of tools, equipments and materials. In the event that losses were incurred by mine owners in carrying out the order of the government, compensation was to be made. The operation of the Act to Promote the Production of Important Minerals placed virtually all mining activities, together with other special laws effecting mining, under direct government control, supervision and order in accordance with plans to stimulate war production potential.

"71. Some indication of the cost borne by the government to stimulate the processing of minerals as well as mining is shown in the following table which discloses only the amount of subsidy paid by the Ministry of Commerce and Industry alone for the establishment of smelters and refineries:

LIEBERT DIRECT

1	"1938	2,049,200 Yen
2	1939	1,981,420 Yen
3	1940	7,862,800 Yen
4	1941	12,485,000 Yen "
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"LIGHT METAL MANUFACTURING INDUSTRY

"72. The development of light metal mining has an important place in the development program of the Board of Planning. The extent of planned and factual expansion of light metal mining is treated in paragraphs 60 to 63 of this statement. The importance given to the development of facilities for the light metal manufacturing industry is noted in the Outline of the Five-Year Plan for Production of War Materials by the War Office, dated June 23, 1937 (IPS Document 9002 A), which indicates, in Appendix I, that the purpose of the peace plan production of light metal alloys shall be for converting to wartime production of aircraft and parts. The planned enormous expansion in the processing of aluminum and magnesium set forth in Section III of the Outline, at Sub-Section (3), provides that the special raw material industry and parts industry connected with munitions should be speedily expanded by means of the synthetic national policy. That the national policy stimulated the expansion of light metal manufacturing and processing is clearly shown by the Light Metal Manufacturing Law of April 28, 1938, (Law No. 88).

"73. This Law had as its aim the 'establishment of the manufacturing business of light metals

with the object of contributing towards the adjustment of national defense'. Light metals within the meaning of the law were aluminum and magnesium. It was provided that persons desiring to engage in light metal manufacturing must be licensed by the government after which the licensed companies were given many subsidies and privileges including exemption from income and business profit taxes, local government tax, exemption from import duty on machinery and equipment necessary to build or expand light metal manufacturing plants as well as the right to expropriate land under the Land Expropriation Law. In addition, the licensed manufacturing companies were allowed to issue debentures up to twice the amount of their paid-up capital without security. For these licenses, privileges and subsidies the government was empowered to take over the supervision and direction of the manufacturing companies being empowered to fix prices of all products, to order changes in manufacturing techniques, to order expansion of plants and direct the type of goods to be manufactured, to name the purchasers of light metal products and to compel the stockpiling of basic materials needed for light metal manufactures. Thus the light metal manufacturing industries were completely controlled by government policy and securely

bound to the war production program.

"MACHINE TOOL INDUSTRY

"74. Machine tools can roughly be described as the machines which make other machines - the only mechanisms that are self-perpetuating from an industrial point of view. The basic machine tools are lathes, drills, presses, drilling machines, planers, shapers, grinders and boring machines. For time-saving purposes various complicated adaptations and combinations of machine tools such as automatic turret lathes, multiple boring machines and such type tools have been evolved to perform several intricate operations simultaneously. Mass production of finished metal machined products and working parts is impossible today without machine tools in large quantities. Hence, for an expanded industrial program, machine tool production is a primary necessity.

"75. Until 1937, there were over 1000 small plants manufacturing machine tools in Japan in addition to the government arsenals. However, the major portion of machine tools were manufactured by five large companies. Before the China Incident, the United States, Germany and Great Britain were the principal sources of imports of machinery and parts. Between 1935 and 1940, samples of the best American ,

Swiss, German and other make machine tools were purchased as prototypes by the Japanese. With almost unlimited Capital, and the use of prototypes and technical assistance from Sweden, Swiss and German Engineers, the Japanese went to work to establish self-sufficiency in the production of machine tools. By 1941 intensive integration of the industry had taken place so that approximately 90 per cent of the machine tools were manufactured in approximately 100 plants with the five leading companies operating 28 plants responsible for over half the total production.

"76. The enormous impetus given to production of specific war materials by the planned program of the War Office required expansion of the machine tool industry with a view to self-sufficiency in production. That it was intended to encourage and cultivate the machine tool industries so that they could be converted to the manufacture of war materials is disclosed in the Outline of the Five-Year Plan for Production of War Materials of the War Office, (IPS Document 9002 A) at page 9, paragraph 4 as follows:

'The objectives of expansion of major industries convertible into industries for the manufacture of munitions in time of war throughout Japan and Manchoukuo are as follows:

a. 'Machine tool industry (excluding construction machinery industry).

'Although they will be steadily expanded according to the peacetime production conversion of already existing industries through arrangement of materials accompanying the promotion of industries, in general, based on the comprehensive national policy, and the repletion of armaments, but their installation capacity will be increased two to threefold by about the end of 1941 through the comprehensive national policy.'

"Appendix No. I of IPS Document 9002 A at page 16 discloses the types of plants using machine tools in peacetime which were to be converted to the manufacture of specifically named war materials. For instance, spinning and weaving machinery was to be converted to the manufacture of shells using lathes, fuses, weapons and parts; the machinery for manufacturing clocks and watches was to be converted to the manufacture of fuses and firearms, etc. It is a very simple conversion in most cases to use multiple purpose machine tools employed in one industry for another industry.

"77. The synthetic national policy mentioned in the Outline of the Five-Year Plan for Production of

..

War Materials (IPS Document 9002 A) placed additional emphasis upon the importance of stimulating production of machine tools. In the planned expansion table attached to the Outline of the Plan for the Expansion of Productive Power by the Board of Planning (Part III of IPS Document 1522), it is disclosed that the machine tool production was to be expanded from a value of 76,000,000 yen in 1938 to 200,000,000 yen in 1941. This expansion, of course, was to provide machine tools which could be converted in time of war as well as machine tools primarily intended for use in the manufacture of war materials. While this program of expansion aimed at self-sufficiency, Japan, nevertheless continued to import machine tools to supply deficiencies in her program."

THE PRESIDENT: The exhibit number should be referred to, as Mr. Liebert is really giving evidence and referring to documents tendered in evidence.

BRIGADIER QUILLIAM: I will ask the witness to substitute, when reading in the future, for document 9002 A, exhibit 841; and for document 1522, exhibit 842.

THE WITNESS: Shall I re-read paragraph 77?

BRIGADIER QUILLIAM: Yes, I think you had better.

THE PRESIDENT: Proceed.

THE WITNESS: Paragraph 77.

THE PRESIDENT: You need not read it again, no.

THE WITNESS: (Continuing Reading)

"78. While various laws directed capital investment into the development of an indigenous machine tool manufacturing industry and controlled the flow of materials to aid that development, a further special stimulus was given to the machine tool industry by the Machine Tool Industry Law passed in the spring of 1938. This Law made it necessary to obtain permission from the government to organize, transfer or suspend machine tool production or to modify or expand equipment. At the same time manufacturers were made subject to regulations regarding prices, purchases of equipments, use of materials, standardization of

products and other government controls. The government further was empowered to order mergers of plants and equipments, to order specific production and make compensation occurring in case of loss from such orders. As an encouragement to machine tool production under the Machine Tool Industry Law, those licensed machine tool producers were exempted from income,profits and local taxes for five years. Imports for the purpose of increasing the materials in support of the industry were made free of duty. In addition, the government provided development subsidies and in certain cases compensation for depreciation of capital investments. In subsidies for the manufacture of machine tools, the Commerce and Industry Ministry alone paid 296,000 yen in 1938, 500,000 yen in 1939 and 450,000 yen in 1940. These subsidies, of course, were in addition to other subsidies and were used for the encouragement of the industry solely.

"79. Among the biggest users of machine tools were the Japanese Army and Navy Arsenals which purchased special-purpose machine tools directly through purchasing missions which went around the world seeking prototypes for the infant Japanese industry. Between the years 1937 and 1940, the Japanese Army Ordinance and Aviation Arsenals purchased more machine tools

in the United States than any Japanese industrial company. For this period there were shipped from the United States to the Army Ordinance and Aviation Arsenals approximately 22½ Million Dollars worth of machine tools.

"80. The force of law and regulation focused on the procurement of machine tools resulted in enormous expansion of indigenous production as well as increased imports. The following table marked 'Production, Import and Export of Machine Tools, Japan Proper' shows this expansion clearly for the ten-year period before 1941. The attached chart marked 'Machine Tool Production and Net Imports in Japan Proper' is a graphic illustration of the table:

"PRODUCTION, IMPORT AND EXPORT OF MACHINE TOOLS, JAPAN PROPER, 1930 - 1941.

"1930, Production 2,250, Import 500/[1] estimated, Export 120/[1] estimated, Supply 2,630.

"1941, Production 46,058, Import 1,500/[1] estimated, Export 1,500/[1] estimated, Supply 46,058."

BRIGADIER QUILLIAM: May it please the Tribunal, I offer in evidence the original chart on page 61-A, which is IPS document 9030-61A.

THE PRESIDENT: Admitted on the usual terms.

CLERK OF THE COURT: Prosecution's document No. 9030-61A will be marked exhibit No. 847.

(Whereupon, the above-mentioned document was marked prosecution's exhibit No. 847 and received in evidence.)

THE WITNESS: "81. Closely allied to the machine tool industry from the standpoint of importance in industrial machines and end products is the precision bearing industry. Every important machine having moving parts uses precision bearings. War machines are no exception. For war machine purposes precision bearings are a critical item. Hence, certain types of industrial expansion can be quickly gauged by the expansion of the bearing producing industry and the output. The following table marked

"Production and Capitalization in Precision Bearing Industry, Japan Proper" shows the remarkable expansion of this industry. The table is graphically illustrated by the attached chart marked "Expansion of Precision Bearing Industry in Japan Proper."

"PRODUCTION AND CAPITALIZATION IN PRECISION BEARING INDUSTRY, JAPAN PROPER 1930-1941.

"Unit - Thousand Yen.

"1930, Authorized Capitalization, one million yen; Value of Production, one million yen.

"1941, Authorized Capitalization, 162,610,000 yen; Value of Production, 105,000,000 yen."

BRIGADIER QUILLIAM: May it please the Tribunal, I offer in evidence the original of the chart on page 62-A, which is IPS document 9030-62A.

THE PRESIDENT: Admitted on the usual terms.

CLERK OF THE COURT: Prosecution's document No. 9030-62A will be marked exhibit No. 848.

(Whereupon, the above-mentioned document was marked prosecution's exhibit No. 848 and received in evidence.)

THE WITNESS: "MOTOR VEHICLES, TANKS AND ROLLING STOCK INDUSTRY.

"82. The Japanese Motor Vehicle Industry was virtually nonexistent prior to 1936. Domestic

manufacture has not only been quantitatively small but poor in quality. Prior to 1936, almost all of the automobiles, engines and parts used in Japan were imported. Japan has always been much less dependent upon motor vehicles for transportation than most of the western countries. At the beginning of 1938, for example, Japan had only one truck or bus per 700 people as against one for 38 people in the United States, 81 in the United Kingdom, and 186 in Germany. Even Italy, ranking next lowest to Japan, had approximately twice as many per capita. With the advent of war planning indigenous motor transport production was considered an indispensable necessity for military forces. The establishment of an indigenous automobile industry in Japan, however, is not based upon sound economics or good business, but upon the opinion of the Japanese Government that reasons of national defense required the development of such an industry regardless of the cost involved.

"83. The Automobile Industry Control Law (Law No. 33), was enacted May 29, 1936 to 'firmly establish the necessary motorcar industry enterprise in order to adjust national defense and develop the nation's industry.' It was provided that all companies undertaking to manufacture motorcars must be

licensed by the government, whereupon, companies manufacturing motor vehicles were exempted from corporation, business and income taxes for a period of years. Likewise, motorcar manufacturing companies were exempted from import taxes on machinery and equipments necessary for the establishment of plants or the maintenance of their enterprises. Further, as an incentive to development, such companies were allowed to offer debentures, beyond the limitation provided in the Commercial Code, to the equivalent of double the amount of the paid-up shares. Protection of the infant industry was provided in that the government was authorized by the law to take whatever steps were necessary to restrict imports. These steps were taken very quickly.

"84. In spite of all the government's efforts to increase production of automobiles it was a very expensive industry, depending almost entirely upon government subsidy for its existence. For example, in the immediate pre-war period it cost about 8,000 yen for a Japanese producer to make a standard small size truck which was sold to the general public for 4,500 yen. This constituted a loss of approximately 3,500 yen which was made up by the government subsidy. Competition with imported vehicles under such

circumstances was so impossible that by 1938 import duties were approximately 50 per cent ad valorem on both cars and parts. By 1940 there were virtually no imports of automobiles to Japan.

"85. For the granting of these special protections and subsidies, the Automobile Industry Control Law provided, in effect, that the government should control manufacturing, planning and designing, operational facilities, sales, prices and other related matters. An interesting provision of this law was that the government might issue orders to a motorcar manufacturer directly for the manufacture of military cars or their parts and the establishment of special facilities deemed necessary to fill the orders. That the military demanded expansion of automobile production is shown in the provisions of the Outline of the Plan for the Expansion of Productive Power by the Board of Planning (Part III of exhibit 842) which provides that motorcar production should be expanded from 15,700 units in 1938 to 80,000 units by the end of 1941. That the military intended to use the Automobile Manufacturing Control Law as the authority for forcing production of automobiles is disclosed in the Outline of the Five-Year Plan for Production of War Materials by

the War Office (exhibit 841). As a policy to assist in the expansion of the automobile industry it was provided in the above-mentioned exhibit 841 at page 7, sub-paragraph 2, as follows:

"'In regard to armament industries (including tanks and special military vehicles) and industries manufacturing related parts and raw materials, they will be privately shown the estimated orders for over several years from time to time within the scope of not hampering the preparations suitable to the immediate situation in the future and will be guided toward rapid expansion with the supply of capital being made smooth.

"'In regard to airplane industries and industries manufacturing related parts and raw materials, they will be guided toward expansion for the time being according to the preceding paragraph in order to meet the urgent demands from the standpoint of peace time arrangement of military materials accompanying the repletion of armaments. However, large scaled expansion carried out according to the national policy will be considered. In regard to the expansion of automobile industry, the application of the Automobile Manufacturing Enterprise Law will be relied upon and the Military Automobile Subsidy Law will be utilized.'

"86. Indigenous automobile production was desirable from the military point of view, not alone for the production of automobiles, but also to create equipments and plants, a part of which could be converted

to the manufacture of tanks and aircraft and aircraft parts. The Outline of the Five-Year Plan for Production of War Materials (Exhibit 841) provides in Section II, page 4, as follows:

"'It is planned to expand and cultivate the munitions industries (including parts and raw materials industries) as well as the various industries to be converted in time of war simultaneously with the expansion of the major national defense industries and to strengthen the necessary control.

"'The emphasis of expansion is to be placed on the production of airplanes, arms and ammunition, tanks and military vehicles, which are the main factors for constituting fighting power, and on others directly connected to this.'

* * * * * * *

"'In regard to the automobile industry, those in the category of genuine war supplies such as tanks and special military vehicles will be governed by the foregoing Clause 2, but in regard to ordinary automobiles, it will be guided by the comprehensive national policy in such a way as not to impede the commandeering and supplying of the required number in time of war. However, necessary military administration measures will be devised to have a considerable portion of the

wartime capacity of the said industry cooperate in the wartime production of airplanes.'

"Appendix No. 3 of Exhibit 841 at page 27 sets out a schedule indicating the degree to which the automobile engine industry should be converted to the manufacture of airplane engines.

"87. With regard to the manufacture of tanks and armoured vehicles it was proposed to use the expansion of the automobile industry for the purpose of converting to the manufacture of tanks. The Outline of the Five-Year Plan for Production of War Materials (Exhibit 841) indicates on page 4, paragraphs 2 and 3; on page 9, paragraph 2c, Appendix I, pages 17 and 18; and Appendix 6, pages 34 and 35 that the two industries are inter-related for purposes of producing war equipments.

I will read those portions of the document."

THE PRESIDENT: You had better read them after lunch.

We will recess now until half past one.

(Whereupon, at 1200, a recess was taken.)

AFTERNOON SESSION

The Tribunal met, pursuant to recess, at 1330.

MARSHAL OF THE COURT: The International Military Tribunal for the Far East is now resumed.

THE PRESIDENT: Brigadier Quilliam.

J O H N G R A N V I L L E L I E B E R T, called as a witness on behalf of the prosecution, resumed the stand and testified as follows:

DIRECT EXAMINATION (Continued)

BY BRIGADIER QUILLIAM:

BRIGADIER QUILLIAM: May it please the Tribunal, at the adjournment the witness was about to read from page 4 of exhibit 841. I will ask him to proceed.

THE WITNESS: Paragraph 2: (Reading)

"The emphasis of expansion is to be placed on the production of airplanes, arms and ammunition, tanks and military vehicles, which are the main factors for constituting fighting power, and on others directly connected to this."

Paragraph 3 --

Q Are you not going to finish paragraph 2?

A The selected portions have been marked. From paragraph 3: (Reading)

"In regard to the automobile industry, those in the category of genuine war supplies such as tanks and special military vehicles will be governed by the foregoing Clause 2, but in regard to ordinary automobiles, it will be guided by the comprehensive national policy in such a way as not to impede the commandeering and supplying of the required number in time of war. However, necessary military administration measures will be devised to have a considerable portion of the war-time capacity of the said industry cooperate in the war-time production of airplanes."

On page 9, paragraph 2c:

"Tank industry (including armored cars).

"The installation capacity will be increased two and a half times by 1939.

"The basis for estimating the objectives of expansion is as shown in Appendix No. 6."

From Appendix 1, pages 17 and 18.

Might I say that Appendix 1 is a Standard Chart of Conversion of peace-time production of Munition Industries. Page 17: Vehicles not to be converted into war-time production after conversion: locomotives for army use, parts of weapons, assembling of tanks, manufacturing of shells using lathes.

Peacetime production of automobile parts,

automobile assembly, on page 18. Ditto war time production after conversion, tank parts, automobile assembling.

Appendix 6, pages 34 and 35. Appendix 6, Basic Table (indices) for computation of objective of expansion for tank industry (including armored cars):

"Judgment. For the purpose of repletion of armaments, it shall be necessary to increase the equipment capacity, 1936, by approximately 2.6 times.

"Explanatory Diagram. Government-operated equipments have not been expressly classified in view of their capacity."

"Equipment capacity for: 1936, 100; 1937, 160; 1938, 175; 1939, 210; 1940, 196; 1941, 210; 1942, 162; 1943, 147.

"Equipment Capacity for 1936, 100.

"Peace-time Standard Capacity for 1936 (showing surplus margin of about 30%), 130.

"War-time Capacity for 1936, 220.

"Expanded Peace-time Equipment, 210.

"Expanded peace-time Capacity (allowing for 30% surplus margin), 260.

"Expanded War-time Capacity, 470; Expanded War-time Capacity of Government-owned Institutions, 220; War-time Production Conversion of Private Enterprises,

890, of which approximately 900 tanks are converted; a total of 1580.

"Engines -- Utilization of Automobile Industry - Manchuria.

"Steel Plates -- Manchuria.

"Remarks:

"(1) The Wartime Operating Rates shall be 180% similar to the Arms Industries.

"(2) Although this brand of war-time industry possess a fair deal of surplus margin at present, its equipment capacity shall be doubled by seizing the opportunity for doubling the quantity of Peace-time Equipment."

"It was further proposed to use the infant industry of Manchuria for the purpose of manufacturing tanks and military vehicles. The following is a quotation from pages 4 and 5, and 35 of IPS Document 9002-A:

"'The areas of expansion will be both Japan and Manchoukuo and their field of operation will be determined roughly as follows:

"'(a) In regard to the continent, particularly Manchuria, local production of airplanes, arms and ammunition, tanks and military vehicles will be started in connection with the development of raw

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"'(a) In regard to the continent, particularly Manchuria, local production of airplanes, arms and ammunition, tanks and military vehicles will be started in connection with the development of raw

materials and resources and gradually developed to make possible mass production in time of war.' (pp 4 and 5).

"'War-time production Conversion of Private Enterprises *890 (* of which approximately 900 Tanks are converted)

"Engines--Utilization of Automobile Industry - Manchuria." (p 35)

"In the detailed schedule for expanded war material production in Manchuria, Appendix No. 7, IPS Document 9002-A, it was anticipated that 50 tanks per month, including armoured cars, would be manufactured.

"88. An increased production of rail transportation facilities was likewise a necessity brought about by war-time planned economy. The Outline of the Plan for the Expansion of Production Power by the Planning Board (Part III, IPS Document 1522) aims at the expansion in the production of locomotives from 877 units in 1938 to 1100 units by the end of 1941; of rail cars from 1161 units in 1938 to 2000 units by the end of 1941; of freight cars from 14,111 units in 1938 to 21,000 units by the end of 1941. This expansion would appear to be extremely significant when one considers the already well developed railway system in

Japan which was operated by the government. That the expansion of railway production equipment as well as the expansion of equipment itself was considered important for the war effort is disclosed in the Outline of the Five-Year Plan for the Production of War Materials (IPS Document 9002-A). At Appendix No. 1, page 17, a plan to convert the vehicle industry to the manufacture of locomotives for army use, parts of weapons, assembling of tanks, etc., is shown. It was further planned, in Appendix No. 7 of IPS Document 9002-A, that Manchuria was to provide a capacity of 130 light railway freight cars per month for military use.

"Aircraft Industry. 89. Aircraft production commanded top priority in the Japanese program for war preparations. In support of this statement I will read the following excerpts from the Outline of the Five-Year Plan for Production of War Materials by the War Office, (IPS Document 9002 A), ehibit 841:

"'a). Page 4, paragraphs 2, 3 and 4(a).

"'b). Page 8, sub-paragraph 3.

"'c). Pages 21, 22 and 23 through (6); pages 26 and page 27 of Appendix 3.'"

THE PRESIDENT: The IBM will be suspended for a few minutes to correct some defect.

THE WITNESS: (Reading) Paragraph 2:

"The emphasis of expansion is to be placed on the production of airplanes, arms and ammunition, tanks and military vehicles, which are the main facotrs for constituting fighting power, and on others directly connected to this.

"In regard to the expansion of the airplane industry in particular, the utmost effort will be exerted toward it to guide it speedily and rapidly.

"3. The objective of expansion will be based on the sufficiency of the war time supply requirements.

"In regard to airplane industry, it will be guided toward active expansion so as to be able to comply with the realization of the gigantic perfection plan aiming for the creation of an invincible airforce and the national aviation policy based on the comprehensive national policy without a moment's delay, although the primary aim will at first be to adapt it to the fixed repletion of armaments plan.

"4(a) In regard to the continent, particularly Manchuria, local production of airplanes, arms and ammunition, tanks and military vehicles will be started in connection with the development of raw materials and resources and gradually developed to make possible mass production in time of war."

Page 8, paragraph 3:

"The objectives of expansion for industries manufacturing munitions throughout Japan and Manchoukuo are generally as follows; in cases where the annual schedule is not listed, the objectives are to be obtained by the end of 1941.

"a. Airplane industry (including industries manufacturing parts and special raw materials)

"Installation capacity is to be roughly doubled during 1938.

"Subsequent expansion will conform to the national aviation policy to be handled as the comprehensive national policy and the new aviation repletion expected to be realized in addition to the already determined repletion of armaments, particularly looking forward to the epochal expansion of installation capacity. (The above mentioned national policy provides for an installation capacity ensuring a peacetime production of 10,000 planes through a protective policy and for a standing strength of 2,000 civilian airplanes). Even if the above listed national aviation policy is not realized quickly, the installation capacity will at least be tripled by about 1939."

Appendix 3, page 21:

"Basic Table for Computing the Objective of

Expansion for the Airplane Industry Cultivated under the already Fixed Military Budget.

"(Goal to be five years hence and to include Japan and Manchoukuo)

"(Judgment) 1. Accompanying the repletion of armament, it is necessary to increase the 1937 installation capacity of factories connected with military aviation three-fold.

"2. Expansion of about two-fold, especially, must be completed by 1938.

"Present State: 1936 perfected units, Army, 522; Navy, 520. Total war time operation capacity: Army, 700; Navy, 700.

"Based on present plan: Army, 140 companies; Navy, those of war time connections are estimated.

"Repletion of Armamaents, 1937 to 1943 units perfected annually: From 522 for the Army raises to maximum of 1450 and drops to 1050; the Navy from 520 raises to maximum of 900 and drops to 700.

"Expansion accompanying repletion of armaments, 1939 (40), expansion ratio about 3 fold; for the Navy about 1.8 fold.

"Total peace time operation capacity: for the Army about 4,000; for the Navy, about 2400 (will be accompanied by additional increase).

"1942 and thereafter

"Required war time capacity (first year): Army, about 4000, but to meet the requirements of emergency organization (140 companies) about 10,000; for the Navy, about 3,000 (about 1500 during period of preparation for war).

"Supplementary measures: War time expansion and Army-Navy munition industry mobilization agreement for A. Creation of active aviation industry through the establishment of the national aviation policy for B (Refer to Part 2).

"Note: Upon their realization through national measures as listed in Part 2, the policy of cultivation of industries concerned must undergo the necessary changes."

Appendix 3, part 2, page 23:

"Computation of Objectives of Expansion for Airplane Industry based on National Policy Measures.

"Estimation of War-time Productive Power.

"Judgment.

"(1) If an equipment capacity be maintained so as to make it possible to cope with a peace-time operation of 10,000 planes, the following mobilization plan will, even in the case of a peace-time actual demand of 3,000 planes, make the capacity reach close

to an annual production of 20,000 planes from and after the 8th month, and over 20,000 planes from the 10th month.

"However, the total of the first year's production will be a little less than 13,000 planes, and that of the second year approximately 30,000 planes.

"(2) In the event of it being possible to make the peace-time actual demand around 4,000 planes, this would, in addition to increasing the certainty of mobilization, bring the total of the first year's production up to around 14,500 planes.

"Mobilization Plan.

"(1) The personnel at the beginning of the outbreak of war will be increased about seven-fold.

"(2) Production for the first two months will be conducted in the following manner:

"(1) With 2/3 of the peace-time personnel.

"(2) On 20% of the total equipment.

"(3) Net working time, 13 hours.

"(3) The training of newly employed workers will be conducted as follows during the first two months:

"(1) 1/3 of the peace-time workers shall be placed in charge of training (17 men to one trainer).

"(2) Training by two daily shifts: (Day

and night).

"(3) In day-time on 80% of the suspended equipment.

"(4) At night time on 100% of the equipment.

"(4) From and after the third month production will be conducted as follows:

"(1) Equal dividing-up of peace-time workers and newly employed workers in both day and night-time.

"(2) Enforcing of a two-shift system of 22½ actual working hours to be divided equally day and night.

"(5) From and after the sixth month the peace-time equipment will be increased monthly by 5% (implying Production Increase from that month).

"(6) Along with the foregoing, the personnel will be increased monthly (1/3 of peace-time) from and after the fourth month to meet 10% of the peace-time equipment."

Page 26 of appendix 3:

"Months from outbreak of war. Number of planes produced by permanent equipment; monthly production: first month, 217; second month, 217; third month, 217; fourth month, 217; fifth month, 900; sixth

month, 1158; seventh month, 1300; eighth month, 1450; ninth month, 1450; tenth month, 1600; eleventh month, 1600; twelfth month, 1750; thirteenth, fourteenth, fifteenth, sixteenth, seventeenth, and eighteenth months, 1750.

"Annual production, total (first year) 12,076 planes.

"Increased Equipment, Increased Production: increase commencing the eighth month, 33; ninth month, 83; tenth month, 158; eleventh month 225; twelfth month, 291; thirteenth month, 375; fourteenth month, 458; fifteenth month, 541; sixteenth month, 625; seventeenth month, 708; eighteenth month, 791.

"Total annual production (first year) 12,866 planes; second year, 30,996 planes (up to 24th month).

"Descriptive explanation: Number of monthly production planes - 10,000 time Body Production Index over 12. "

Page 27:

"However, should the production of engines fail to keep up, it will become necessary to utilize the automobile industry.

"Remarks:

"(1) The required degree of conversion of the automobile engine industry shall be roughly as

follows:

"Quantity of shortage of airplane engines equals 10,000 times 28.3% times 8 times 1.5 over 12, equals 2.831.

"28.3% represents the 8 months' average of difference in production indices.

"1.5 represents 1.5 engines per body.

"By calculating the foregoing, the quantity of shortage of automobile engines shall be 28,831 times 20 or 56,620 units.

"(2) The War-time First Year Capacity of the Automobile Industry will be at least 150,000 units (peace-time 100,000). In addition, it will bepossible to obtain a capacity for the production of 57,000 units from the capacity now used for the production of miniature cars and 3-wheel as well as 2-wheel motorcycles.

"Judgment re possibility of meeting demand for war-time military planes.

"By concluding an Army-Navy Munition Industry Mobilization agreement based on the figures for 1937 according to different operations along with the above chart and by placing the peace-time regular civilian air force of 2,000 planes at the disposal of the Army, there will be no difficulty in effecting the following supply of Military Planes, that is, first year,

approximately 10,000 planes; second year, approximately 20,000 planes."

"90. To give effect to planned aircraft expansion concerted action was taken by the government in the promulgation of the Aircraft Manufacturing Law in March 1938. This Law provided for the licensing of manufacturers of aircraft, aircraft parts and accessories by the Japanese Government. Subsidies in the form of exemptions from income and business profit taxes, local government taxes, import tax on tools, machinery and materials necessary for the development of plants were to be granted as well as encouragement money for the manufacture of new types of aircrafts. Likewise, licensed companies were allowed to effect an increase in capital even before original capital on the company was fully paid up and were allowed to issue debentures up to twice the paid-up capital without security. For these and other special privileges the government completely took over the direction of the licensed plants. Such direction included supervision and authority to order expansion of plants, special manufacture, researches, training of technicians, joint use of facilities, fixing of prices and all other matters 'necessary in the public interest'. Thus the aircraft manufacturing industry became completely dominated by the government's program for its expansion.

"91. The following table illustrates the expanded production of military aircraft for the years 1935 to 1941 inclusive:"

THE PRESIDENT: The totals will suffice on that. I think it will be sufficient to give the totals.

BRIGADIER QUILLIAM. As your Honor pleases.

THE WITNESS: "Army aircraft bodies, 1935 total 349, 1941 total 3787; Navy aircraft bodies, 1935 total 408, 1941 total 2080; Army and Navy aircraft motors, 1935 total 584, 1941 total 11,654

"The above table does not show the production of aircraft for civilian use nor does it show the true picture of expansion in the production potential of aircraft as developed during these years. Such potential can best be judged by the development of the machine tool industry, the light metal industry, the automobile industry and others which were expanded with a view to conversion of their facilities to the manufacture of aircraft and aircraft parts. One can properly say that the aircraft industry was being prepared for war production on a far greater scale than appears from the actual production of war planes, although that production proceeded along the schedule outlined by the War Office."

"Industrial Control. Paragraph 92. In addition to the direct and indirect controls for stimulation of specific industries, as outlined briefly in the foregoing surveys, in furtherance of a planned economy as demonstrated by laws and regulations affecting the specific industries, other direct measures of industrial control of universal nature were planned and executed. In support of this statement I will read the following excerpts from the Outline of the Five-Year Plan for Production of War Materials by the War Office, dated 23 June 1937, (IPS Document 9002-A):

"'a) Page 3, paragraphs 1, 2 and sub-paragraph 3.

"'b) Page 5, paragraph 6.

"'c) Pages 13 and 14, Section V.

Page 3:

"Outline of the Five Year Plan for the Production of War Materials.

"Policy.

"In order to cope with the present situation and to establish the foundation of our national defense powers accompanying the perfection of armaments, it has been planned to carry out a speedy epoch-making expansion of war industries and to exercise the necessary control over them from the standpoint of national defense.

"For this purpose, special stress will be laid on accomplishing the following purposes generally by the end of the 1941 fiscal year, and the operation of Japan's economy will be made to develop rationally by unifying the handling of affairs by military administration as well as maintaining a close contact with the synthetic national policy."

Sub-paragraph 3:

"Hurrying up the control of war material industries, having in mind the conversion from a peace-time basis to a wartime basis."

Page 5, paragraph 6:

"The underlying principle of control will be to meet the requirements of national defense.

"For this purpose, the emphasis of control

will be placed on the positive expansion of such industries and their advancement into the continent and necessary measures will be devised to ensure proper and smooth execution of the mobilization, with special care being given not to cause any failure of enterprises through unnecessary feeling of uneasiness and fear on the part of businessmen."

Page 13, Section V.

"V. Outline of Control.

"1) As regards the controlling of war material industries, perfection will be sought in regard to removing the various factors likely to impede wartime expansion, in view of the special characteristics of these industries, especially the characteristic of the demands in wartime and those in peacetime having a wide difference.

"In this instance, every effort will be made to maintain the standard working hours and prevent the strengthening of operations by means of extension of hours, and to accelerate the expansion of installations.

"2) With the object of planning the material strengthening of the munition mobilization capacity, enterprises will be guided mainly according to the following points through the Superintendent system:

"(a) Old-fashioned equipment will be improved; up-to-date equipment will be reinforced.

"(b) Obstacles in the course of production accompanying conversion into wartime production will be rectified, and lags in the various

associated industries will be removed.

"(c) Control over industrial copartnership will be effected to facilitate the disposition of the previously mentioned clauses.

"The aforementioned supervision for the present, will be executed from the standpoint of the parties placing the orders, but plans will be made for the strengthening of guidance and supervision by enacting the necessary laws and regulations as soon as possible.

"Furthermore, the Superintendent system will be carefully restudied as regards organization, system, structure and stationing, and consideration will be given to the unification and adjustment of Factory Administration Government Office and Factory Superintendent systems at the time of enforcement of munition mobilization.

"3) To facilitate the peacetime to wartime conversion of industries: manufacturing war materials, structural control will be accelerated according to the following points:

"(a) Proper guidance will be given to the merger and incorporation

of enterprises.

"According to the needs of the times, an organ to facilitate the general control of industries manufacturing important war materials will be gradually established.

"(b) The formation of an organic production bloc will be fostered. For this purpose, the nuclear factories and the sub-contracting factories will be logically arranged, and their relationship with parts factories, material factories and raw material factories will be adjusted.

"Special attention will be given towards putting an end to the present disorganized condition of the sub-contracting factories.

"(c) The organizing of unions will be guided from the military point of view to enable the mass power of the small-sized factories to collaborate effectively in the

production of war materials in time of war.

"4) Social policies will be tempered from the viewpoint of national defense in a wide sense and the necessary control over industries manufacturing war materials will be exercised.

"For this purpose, consideration will be given to profit control, labor control and localization of industries."

"I shall also read the following excerpt from pages 3 and 4, paragraph 3 of the Outline of the Plan for the Expansion of Productive Power by the Board of Planning, dated January, 1939 (Part III of exhibit 842):

"3. Method of execution.

"This plan is to be realized in accordance with the real object of its planning, with the government and the people united as one, and with the entire strength of the nation backed by perfect cooperation and firm determination directed toward it. Accordingly, in executing this plan, the government should take every possible measures for its accomplishment, so that there could occur no setback in its execution.

"For this purpose, the government should endeavor to make a proper and effective use of the various systems and facilities for the promotion of industries executed heretofore, and in view of the fact that this plan aims at a rapid and intensive expansion of the productive power, the government shall devise special measures in regard to the control and encouragement of enterprises, the supplying of technicians and laborers, the accommodation of funds and the supplying of necessary

materials according to the condition of the various industries for accelerating and securing the execution of the plan.

"Pursuant to the above policy, the government is to take such measures, if necessary, as to enact laws and to enforce the National Mobilization Law."

"93. To accomplish the purpose of general concentration of industrial control for war purposes it was planned to build upon the basic structure of cartels and control mechanisms already in existence in industry. A brief review of these mechanisms will serve to explain the simplicity and completeness of their operation. In December 1929, rationalization of industries in a narrow sense first came into being with the formation of the Special Committee on Industrial Rationalization of the Ministry of Commerce and Industry. In June of 1930, the Emergency Industrial Rationalization Bureau was formed. This Bureau, created for normal government purposes, formulated plans for standardization and simplification of parts and products, dissemination of scientific industrial management data, and generally provided for substantial measures to assist in national recovery and promote industrialization for export trade.

"94. A first direct attempt to control heavy industries for the sake of a national planned economy was undertaken in August 1931 with the passage of the Major Industries Control Law. This law provided for large scale heavily capitalized industries by facilitating industrial self-control and making legally enforceable agreements made between producers

and important industries with regard for the public welfare. However, an amendment to this law in 1936 enforced cartelization of major industries and placed such industrial self-control organs under direct government supervision. In cases where persons operating in the major industries made a cartel agreement which effected one-half or more of the total production within the specific industry such an agreement had to be registered with the Government Control Committee and could be modified by that Committee in the public interest. Of course, such cartel agreements within the Major Industries forced many mergers of plants and equipments and threw the the control of the Major Industries generally into the hands of the large groups. The industries specifically cartelized by the government permission and direction were cotton spinning and weaving, silk spinning and weaving, rayon, paper, carbide, flour, sulphuric acid, cement, copper, sugar and oil pressing. Other Major Industries such as iron and steel, mining, import and export and shipbuilding were being effectively consolidated by other special laws and programs.

"95. The effect of such enforced cartelization was to destroy the ability of the small and medium scale industries to compete with large industrial

organizations controlled by the so-called Zaibatsu interests. Since anti-monopoly laws were repugnant to this Japanese method of industrial control for the national welfare, smaller concerns united into guilds and unions for protection. The Industrial Guilds Law, as amended in 1931, contained provisions for the unionization and associational control of smaller manufacturing industries with provisions similar to the Major Industries Control Law. Again in September 1932, by the Commercial Guilds Law, control and organization of commercial undertakings was fostered. Increased facilities for guilds, and associations from a standpoint of banking, were provided in 1936 by the Central Bank for Commercial and Industrial Associations which loaned money at cheap rates and provided many special facilities.

"96. The extent of the forced mergers of companies and their recapitalization for streamlined operation is disclosed in the statistics of the Bank of Japan which tell plainly what was accomplished by such measures. During the year 1940, 212 major corporation mergers took place affecting capital investment of 2,300,000,000 yen, approximately. During the first half of 1941, 172 major companies mergers took place, affecting capital investment of

over 3,000,000,000 yen. (By 1941 there were over 1000 Kogyo Kumiai or Guilds formed of smaller enterprises). The significance of these enormous mergers indicates the strength of the government's program and the desire to build a complete control structure upon a foundation of unification of similar enterprises under government supervision."

"97. Following the Plan for Control provided for in Section V of the Outline of the Five-Year Plan for Production of War Materials, exhibit 841, there resulted the National General Mobilization Law effective May 1938 which is Court exhibit #84. This law is the basic legislation for the complete mobilization of all facilities for war economy not otherwise provided. I will read the following excerpt from the National General Mobilization Law," Articles 1 to 31, inclusive, pages 1 to 16.

"General Mobilization Law

"Article 1

"The term national general mobilization as used in this law denotes the control and operation of human and material resources in order that the nation may be enabled to display its total power most effectively for the realization of national defense purposes in time of war (including an incident corresponding with a war, the same applying correspondingly to the following parts).

"Article 2.

"The term general mobilization goods in this law denotes things listed below: (1) armaments, war vessels, ammunitions and other military

goods, (2) garments, foodstuffs, beverages and fodders which are necessary for national general mobilization, (3) medicines, medical instruments, other sanitary materials and veterinary materials which are necessary for national general mobilization, (4) ships, airplanes, rolling stock and vehicles, horses and other materials for transportation which are necessary for national general mobilization, (5) goods for communications which are necessary for national general mobilization, (6) engineering and building materials and goods for lighting system which are necessary for national general mobilization, (7) fuels and electric power which are necessary for national general mobilization, (8) raw and other materials, machines and tools, equipment and other goods which are necessary for the production, repair, distribution and conservation of each of the foregoing stipulations and (9) goods besides each of the foregoing which may be designated by Imperial Ordinances as necessary for national general mobilization.

"Article 3.

"General mobilization businesses under this law denote those which are listed below

(1) Businesses relating to the production, repair, distribution, exportation, importation, and storing of general mobilization goods, (2) businesses relating to transportation and communications which are necessary for national general mobilization, (3) businesses relating to money and banking which are necessary for national general mobilization, (4) businesses relating to sanitation, veterinary sanitation and relief which are necessary for national general mobilization, (5) businesses relating to education and training which are necessary for national general mobilization, (6) businesses relating to experiments and researches which are necessary for national general mobilization, (7) businesses relating to information and campaign of education which are necessary for national general mobilization, (8) businesses concerning guarding which are necessary for national general mobilization and (9) businesses besides each of the foregoing which may be designated by Imperial Ordinances as necessary for national general mobilization.

"Article 4.

"In time of war the Government if necessary for national general mobilization may enlist subjects

of the Empire and place them in general mobilization businesses in accordance with provisions of Imperial Ordinances. This provision does not prevent the application of the Conscription Law, however,

"Article 5.

"The Government if necessary for national general mobilization in time of war may cause subjects of the Empire or juridical persons or other organizations of the Empire to cooperate with the State or local public organizations or other persons designated by the Government.

"Article 6.

"The Government if necessary for national general mobilization in time of war may issue orders which are necessary regarding the use, employment or discharge or assumption of offices or assumption of services or retirement of employees or wages, salaries and other working conditions, in accordance with provisions of Imperial Ordinances.

"Article 7.

"The Government if necessary for national general mobilization in time of war may issue necessary orders regarding the prevention or

settlement of labor disputes or the closing of plants, suspension of operations, or restriction or prohibition of acts relating to labor disputes, according to provisions of Imperial Ordinances.

"Article 8.

"The Government if necessary for national general mobilization may issue necessary orders regarding the production, repair, distribution, transfer or other disposal, uses, consumption, holding and movement of goods, in accordance with provisions of Imperial Ordinances.

"Article 9.

"The Government if necessary for national general mobilization in time of war may restrict or prohibit exportation or importation, or may impose export duties or import duties, or may increase or decrease export duties or import duties, in accordance with provision of Imperial Ordinances.

"Article 10.

"The Government if necessary for national general mobilization in time of war may use or expropriate or cause a person who administers general mobilization business to use or expropriate general mobilization goods, in accordance with

provisions of Imperial Ordinances.

"Article 11.

"The Government if necessary for national general mobilization in time of war may restrict or prohibit the establishment of corporations, capital increases, consolidations, changes in the purposes of businesses, floatation of debentures or the second and subsequent calls for unpaid portions or capital; and may issue orders regarding dispositon of corportation profits, writing off of fixed assets or other matters concerning accounting; and also may issue orders against banks, trust companies, insurance companies and others designated by Imperial Ordinances regarding the operation of their funds, or undertaking or guaranteeing monetary obligations.

"Article 12.

"The Government if necessary for national general mobilization in time of war may make special arrangements in accordance with Imperial Ordinances, and irrespective of the provisions of Article 297 of the Commercial Code, with respect to floatation of debentures of a corporation engaged in a general mobilization business to meet expenses for equipment belonging to the

said corporation.

"Article 13.

"The Government if necessary for national general mobilization in time of war may manage or use or expropriate the whole or part of factories or workshops or vessels and other facilities which are convertible into it, in accordance with provisions of Imperial Ordinances."

THE PRESIDENT: A majority of the Court do not desire any more of this to be read. In fact, a majority of the Court are opposed to it being read at all. I was unable to get their views in time.

BY BRIGADIER QUILLIAM (Continued):

Q Will you please continue with the reading of the statement, Mr. Liebert?

A (Reading)

"98. One of the first important ordinances affecting industry promulgated pursuant to the National General Mobilization Law was the Ordinance Concerning the Plan by the Promoter of a Business for General Mobilization, dated 26 July 1939. This Ordinance provided that the Ministers of War and Navy could call in the owners or promoters of selected businesses, named pursuant to ordinance under the National General Mobilization Law, and order such persons to make plans for production following a set national production schedule. This authority of the Ministers included the power to order the type of training programs of personnel within the specific industrial plants in conformity with anticipated needs for skilled personnel as disclosed in exhibit 842. Such methods forced businessmen to cooperate in the execution of the plans of the Army and Navy

to fullest extent of their facilities and skills.

"99. One of the most forthright industrial ordinances promulgated pursuant to the National General Mobilization Law, was Imperial Ordinance No. 901 of December 28, 1939 entitled 'Use and Expropriation Ordinance of Factories and Workshops.' Pursuant to this Ordinance the War and Navy Ministers were given the authority to authorize expropriation of materials, lands, buildings, constructions, machinery and equipment, deemed necessary for the national general mobilization. Upon notification by the competent ministers, the owners and operators of selected plants simply turned them over to the government direction and management. Likewise, by order, the owners or operators of such plants who turned them over for government use were to make available their workers as demanded by the government. This expropriation law applied likewise to patents. Article No. 27 of the National General Mobilization Law provided for a method of compensation. This ordinance, aimed at materials and equipments manufacturers, was a constant threat to private ownership to obey the instructions of the Army and Navy and provide the equipments desired.

"100. The most sweeping of all the control

ordinances, however, was the Key Industries Control Ordinance promulgated August 30, 1941. This Ordinance was based upon the provisions of Article 18 of the National General Mobilization Law and was to serve as a foundation for the complete control of all major industries by th government, using the cartel structure already in existence as its guiding principle. It was provided that the major industries named by the government were to form themselves into control associations according to type of industry. Thus there was to be in each major industry such as, iron and steel, cement, machinery, chemical, rubber, rolling stock, etc., one single national industrial organization for each kind of industry. The power of each such national association was to:

"(a) Participate in the government's plans concerning production and distribution in the industry concerned and the demand and supply of raw materials, funds, labor required in the said industry, and also the government's other plans concerning the said industry.

"(b) Control and guide concerning the production and distribution in the industry

concerned and also the control and guidance concerning the enterprises in such industries which are owned by its members or by persons who form the organizations which become members of the said control organizations.

"(c) Increase the perfection of the organization of the industry concerned.

"(d) Establish the importance of technique, the promotion of efficiency, the standardization of specifications, the importance of the accounting system, and other facilities for the development of the enterprises in such industry.

"(e) Oversee the investments and resources in the industry concerned.

"(f) Conduct inspection of the enterprises in the said industry.

"(g) Control other enterprises which are necessary for the attainment of the importance of the control of the association.

"The system established provided that each industrial Control Association should nominate a president who would be appointed by the government."

"All of the important directors of associations were appointed subject to government sanction. The right of dismissal of officials was in the hands of the government. The Control Association, by direction of the president, could impose special levies on the members, order the merger of enterprises within the industry for the sake of efficiency, order changes in plant equipments and management and, in general, exercise complete and autocratic control over the entire industry. The fixing of production plans, the allocation of materials to individual plants to effect planned production, the nomination of sale of all products, the establishment of wage policies and the fixing of prices within each industry was made pursuant to the joint planning of the heads of the Control Associations and the Planning Board who united policy and production. In this connection it can be said that one of the functions of the Planning Board was to compare the indigenous supplies of materials with production demands and make plans for the means of securing and paying for deficiencies, making such adjustments as were consistent with the national policy. All producers were forced to become members of their respective industrial association or go out of business. In certain cases

diversified companies had to belong to several associations. In those cases where individual producers were too small to participate they were either merged into larger enterprises, or were formed into a union of similar enterprises and the union taken in as a member of the Control Association. In each prefecture sub-control associations were formed for the sake of efficiency in dissemination of orders and effective control.

"101. This elaboration of the control association system was the perfection of the already well-functioning system with the added element of universal application. It was established immediately preceding the outbreak of war to perpetuate peak wartime production which was planned to be reached by the end of 1941. The timing of such activities would appear to be extremely significant when one considers the element of preparation in the light of events subsequent to December 7, 1941.

"102. In addition to the many methods for stimulating war materials production, otherwise cited, the government directly took over the job of equipping war industry plants pursuant to legislation enacted November 25, 1941 (Law No. 91). This Law was entitled, '<u>Law Concerning The Sangyo Setsubi Eidan</u>'

('Industrial Equipment Corporation'). By virtue of the aforementioned law, the government created a special equipment corporation, a juridical person, with the following object:

"'Article 1.

"'The objectives of the Industrial Equipment Corporation are, in time of war **** inclusive of a serious accident that shall be regarded as the same, to have the following industries equipped with necessary plants, such as munitions industries, the production of which shall be increased on certain definite lines of the government programmes and other indispensable industries for national economy when any other enterprisers could hardly do the same or maintain such equipments, and are to build ships that shall conform to gauge designated by the government, and to make full use of industrial plants, inclusive of machines and implements to be used in furnishing the mentioned plants, which are not yet brought to completion or employed **** these shall be called the unfinished and unemployed plants in the following Articles'.

"To achieve the purposes outlined in the objectives for the establishment of this corporation it was empowered to transact the following business:

'(1) To construct or purchase plants of the indispensable industries for the national economy when other enterprises cannot construct or maintain such plants.

'(2) To land, invest in and sell the plants obtained or constructed.

'(3) To give orders to build or manufacture ships, ship's engines and equipment that shall conform to government specifications.

'(4) To sell such ships and ship's equipments.

'(5) To buy, sell and hold the unfinished and unemployed plants.

'(6) To act as mediator in making full use of unemployed plants.

'(7) Do the necessary business to carry out the above named purposes.'

"103. As a further facility to carrying out the business of the Industrial Equipment Corporation it was exempted from income, corporation, business and

local taxes. Its entire capitalization of 400,000,000 yen was supplied by the government, and for additional funds it was authorized to issue debentures up to 15 times the amount of the paid up capital, with the government standing security for the payment of both principal and interest. The governors, directors and auditors of the corporation were to be appointed by the government. In addition to all this, the corporation was authorized to expropriate or use land, and the rights connected with land other than the ownership, when it was deemed necessary in constructing plants of the indispensable industries.

"104. The planned and accomplished expansion in production by the various industries before December 7, 1941 as disclosed in the foregoing surveys, far exceeded the amount of materials and potential needed for the conduct of the war in China. The elaborately detailed planning and careful gathering of controls in the hands of the government effectively chained all industry to the national policy of industrial preparation for a far greater conflict. In a speech made by Kenryo SATO, Chief of the Military Affairs Section of the War Ministry, in March 1942, a copy of which is IPS document 9027-A, this fact is made unmistakably clear."

BRIGADIER QUILLIAM: May it please the Tribunal, I offer in evidence IPS document No. 9027-A.

THE PRESIDENT: Admitted on the usual terms.

CLERK OF THE COURT: Prosecution's document No. 9027-A will receive exhibit No. 849.

(Whereupon, the document above mentioned was marked prosecution's exhibit No. 849 and received in evidence.)

BRIGADIER QUILLIAM: May it please your Honor, the certificate attached to that document is somewhat defective.

THE PRESIDENT: Well, it is conditionally admitted.

BRIGADIER QUILLIAM: But I have pointed it out to my learned friend, Mr. Logan, who informs me that the defense waive the irregularity.

BY BRIGADIER QUILLIAM (Continuing):

Q Will you continue, Mr. Liebert?

A (Reading) "I will read an excerpt from that document taken from pages 5 and 6 which reviews government policy for industrial production in connection with the China Incident which needs no further amplification from me."

THE PRESIDENT: Well, we will recess now for fifteen minutes.

(Whereupon, at 1445, a recess was taken until 1500, after which the proceedings were resumed as follows):

MARSHAL OF THE COURT: The International Military Tribunal for the Far East is now resumed.

THE PRESIDENT: Brigadier Quilliam.

BRIGADIER QUILLIAM: May it please the Tribunal, with the adjournment the witness was about to read an extract from exhibit 849, commencing at page five.

THE WITNESS: (Reading):

"B. Miscalculation of Japan's Fighting Power.

"'The fundamental cause of the commission of such a serious blunder by American leaders may be traced back to the fact that Japan's excessive humility toward America in her past foreign policy and other matters invited for herself American contempt. Especially since the outbreak of the China Affair, America thought Japan had completely exhausted her national strength.

"'In 1936 our army formulated a national defense plan, for the army felt keenly the necessity of expanding armaments and productive power in order to secure and develop the results of the Manchurian Incident. As the expansion of armaments and rearmament by the European Powers were to be completed by 1941 or 1942, we anticipated an international crisis at about that time. Therefore, considering it necessary

to complete by every means possible the expansion of our armaments and productive power by 1942, we decided to effect a great expansion by means of a six-year armament plan for the period 1937 to 1942, and a five-year production expansion plan for the period 1937 to 1941. In 1937, the first year of this plan, the Lukouchiao Incident broke out. What worried us most was the fear that this incident might cause the break-down of our Armament Expansion Plan and the Five-Year Production Expansion Plan. So we decided to see that the Chinese Incident would not end in a war of attrition to our side. Accordingly, generally speaking, we spent 40% of our budget on the Chinese Incident and 60% on armament expansion. In respect to iron and other important materials allotted to the army, we spent 20% on the Chinese Incident and 80% on the expansion of armaments. As a result, the air force and mechanized units have been greatly expanded and the fighting power of the whole Japanese Army has been increased to more than three times what it was before the China Incident. I believe that our Navy, which suffered very little attrition in the China Affair must have perfected and expanded its fighting power. Of course, productive power of the munition industry has been expanded 70% to 80%

at a rough estimate.

"'Besides the above-said armaments and productive power, we have separately defeated each anti-Japanese force in China and occupied the greater part of the important portions of China, and the iron ore, coal, cotton and other important defense resources obtained from these areas are now contributing greatly to our fighting power. We have completed our establishment of strategic points on the continent, in particular our troops have marched into French-Indo-China, which gave us powerful footing for the present Greater East Asia War. Furthermore, through four and a half years of the China Affair we have gained real training in actual fighting. Their intangible results are now being developed before our eyes.'"

"FINANCIAL PREPARATIONS

"105. Under the Japanese form of totalitarian imperialism financial controls for the years immediately preceding 1941 were designed for two purposes:

"(1) To integrate dependent territories into the economic system of Japan in order to draw from them materials and wealth necessary for strengthening the Japanese economic position, and to control the flow of money and goods to achieve the maximum

benefits of foreign trade in support of industrial production for war purposes.

"(2) To use most effectively the total financial capacities of Japan proper to build up war production and war production potential by direct and indirect government spending and by rigid control over the flow of money capital, and goods.

"INTEGRATION OF TERRITORIES

"106. During the Manchurian Campaign, 1931 to 1932, the Japanese Army relied upon the Bank of Chosen (The Bank of Issue of Korea under the control of the Japanese Government) to supply currency and to provide banking facilities. As a result of these operations, chiefly on behalf of the Japanese, bank note circulation of the Bank of Chosen, rose from 75,000,000 yen on June 30, 1931 to 222,000,000 yen at the close of 1935 when gradual withdrawal of these notes was initiated; at which time notes of the Central Bank of Manchuria(The Bank of Issue of Manchoukuo) were issued instead. Additional financing for industry during this period was handled through the South Manchurian Railway, a national policy company of the Japanese Government, which, together with its subsidiary companies, spread like an octopus into nearly every phase of Manchurian

developments.

"107. After the establishment of the Manchoukuo Government an agreement was entered into between the Imperial Japanese Government and the Imperial Government of Manchoukuo which politically as well as practically bound the economies of the two nations. I have a copy of a record of the meeting of Privy Council held on 3 July, 1935, (IPS Document 875A), which discloses the true purpose of the agreement from the Japanese Government's point of view."

BRIGADIER QUILLIAM: May it please the Tribunal, I offer in evidence IPS document No. 875A.

THE PRESIDENT: Admitted on the usual terms.

CLERK OF THE COURT: Prosecution's document No. 875A will receive exhibit No. 850..

("hereupon, the document above referred to was marked prosecution's exhibit No. 850, and was received in evidence.)

THE WITNESS: I shall read the first eight pages of that record.

(Reading):

"SECRET

"Record of the Meeting of Privy Council Held on 3 July, 1935.

"Re: A) The conclusion of an agreement between Japan and Manchoukuo on the establishment of a Joint Economic Committee.

B) The changes to be made in the organization of the Ministry of Communications.

The meeting of the Privy Council was opened on 3 July 1935 in the presence of His Majesty the Emperor."

I will omit the reading of the names of those present and read from page 2 commencing with the actual notes of the meeting.

THE PRESIDENT: You might read the names of any of the accused who were present.

BRIGADIER QUILLIAM: The only accused was the Vice-Chairman, HIRANUMA.

Will you continue, please, reading?

THE WITNESS: (Continuing)

"Our subject will be the conclusion of an agreement on the establishment of a Joint Economic Committee between Japan and Manchuria. We shall have the first reading, and omitting the recitations we

shall immediately hear the report of the chairman of the Investigation Committee.

"Reporter ARAI: Having been appointed members of the Investigation Committee to study on the subject which was referred to the Privy Council by His Majesty the Emperor for deliberation, we held a committee meeting on the 27th of this month, and after inquiring the Minister of State and other authorities connected with the subject, we have completed its investigation.

"The Empire's basic policy toward Manchukuo is, as it has been declared in the Rescript of March 1933, on the withdrawal from the League of Nations and in the Japanese-Manchurian Agreement concluded in September 1932, to recognize and respect Manchukuo's independence and help its progress and development by maintaining an inseparable relationship between the two countries.

"It has been the constant wish of the Japanese Government to adhere to this principle in taking any form of measures and to secure a strong connection with Manchukuo. Thereby, based on the article on the united front in the Japanese-Manchurian agreement, Japan has established the right to garrison Japanese troops permanently in Manchukuo and has also formed military agreements with her."

"In the diplomatic field, it was concluded in the official documents exchanged at the time of the establishment of the Manchurian Empire last March, that Manchuria should submit, beforehand, all diplomatic and military matters to the Japanese government for thorough and unreserved deliberation. However, in comparison to the military diplomacy, no system has been established, as yet, for cooperative measures in the economic field which plays a close and vital role in uniting the two countries. Therefore, the Japanese Government has no formal voice in the management of the economic problems of Manchuria which have important relations with that of Japan, especially in the supervision of the Japanese-Manchurian joint concern having its object in the important industries of that country, and Japan, at present, is obliged to leave it up to the discretion of the Manchurian Government.

"This is no way to hold an inseparable tie between the two countries, nor is it without doubt, the way to strengthen the economic inter-dependent relations of our countries. As long as it is related to the unity of both countries, it is necessary that Japan should gain formal voice in the economic field as well as in the military and diplomatic fields through

the establishment of cooperative measures based upon an organization. To meet this necessity Japan has found it well to conclude a pact with a view to establishing a joint instrument between the two countries, and has been able to draft concrete plans for this purpose by having a Japanese diplomat in Manchuria negotiate with that government.

"The agreement of the program is a document entitled: 'An agreement between Japan and Manchukuo on the establishment of a Joint Economic Committee,' with an 'annex' giving the precise details of the agreement and is a 'matter of understanding concerning the conclusion of a pact for the establishment of a joint committee, agreed upon by representatives plenipotentiary of both countries.' The fundamental principles of each department are as follows:

"I. The Agreement.

"(1) A Joint Economic Committee of Japan and Manchukuo will be established permanently in Hsinking, Manchoukuo.

"(2) The committee will deliberate on and answer all questions submitted by the Japanese and Manchurian governments on all important matters concerning the economic tie of the two countries and the supervision of business of the Japanese-Manchurian

Joint special corporation. The two governments cannot settle any of the above matters until they have been submitted to the committee for deliberation.

"(3) If necessary, the committee may make proposals to the governments of Japan and Manchukuo on any matter concerning the rational economic unification of the two countries.

"(4) The organization and operation of the committee will be prescribed in the annex.

"(5) The agreement will go into effect on the date of signature. Both Japanese and Chinese will be the official language, and in case of a difference in the interpretation of the two texts, it will be settled according to the Japanese text.

"II. Annex.

"The fundamental principle of the organization and operation of the committee will be prescribed in the annex.

"(1) The committee shall consist of eight members, four from each country, which shall report to each other. In case of absence of any member, a proxy will be appointed through the conference of the Japanese plenipotentiary in Manchukuo and the Prime Minister of Manchukuo. If necessary, the two governments may appoint the same number of temporary members

after a consultation.

"(2) The chairman of the committee will be elected by mutual vote among the members. (He will be elected at every meeting.)

"(3) The same number of secretaries will be appointed by the two governments from among the staff members to take care of the general affairs of the committee.

"(4) All matters of the committee will be decided by a majority. The chairman has the right to vote as a member, and in case of a tie he has the right to make the decision.

"(5) The rules for the proceedings in the committee will be set by the committee after obtaining approval of the two governments,

"III. Understood matters.

"More definite rules on the organization and power of the Joint Economic Committee will be given here in detail:

"(1) Japan's permanent members of the committee shall consist of the Chief of Staff of the Kwantung Army, the Chief Councillor in full service at the Japanese Embassy in Manchukuo, Chief of the Kwantung Bureau, and one member specially appointed by the government."

"The Manchukuo members shall consist of the Ministers of Foreign Affair, Commerce and Industry, and Finance, and Head of General State Affairs.

"(2) The important matters to be deliberated by the committee, and are connected with the economies of the two governments are: the export, import and tariff problems; the development and control of the important industries; the enactment and amendment of laws concerning the establishment of a special Japanese-Manchurian Joint Corporation; investment; and other important problems concerning the economic connection of the two governments and are within the power of the Manchurian Government. Those matters important to the economic ties of both governments but are within Japan's power will not be taken up by this committee. Because they will not be deliberated by the committee they will be made into unilateral contracts binding only the Manchurian Government.

"(3) The important matters to be deliberated by the committee concerning the supervision of business of the special Japanese-Manchurian Joint concern include: the important amendments in the regulations of corporations, the purpose of which is to materialize important industries concerned with economic unity of both governments, and which have been established

according to the laws of one of two countries and more than half of whose capital has been raised by the government, citizens, or juridical persons of the opposite government; the disposition of the profit of said corporation and the recognition of the decision to amalgamate or dissolve.

"As there is as yet no corporation established according to the Japanese law with more than half of Manchurian investment, the agreement in reality binds only the Manchurian Government in this point also. Due to the existence in the document of such one-sided articles binding only Manchukuo, the authorities have declared, after an agreement brought forth by the two governments, to have this point kept secret.

"The point is that the agreement aims at the realization of a rational unification of the economies of the two countries by a full and close cooperation to strengthen permanently the economic relations according to the principles of the Japan-Manchukuo Agreement. For the purpose the Japanese-Manchurian Joint Economic Committee has been formed. Whenever important economic question relating to the two countries arise, the committee will deliberate on it and settle it."

"In view of the special relationship of the two countries and the assistance the committee will accord Japan in accomplishing her Manchurian policy, the said agreement is approvable in its general principle with little or no disapproving points in the articles. It is needless to say, such special provisions without proper application will never attain expected results, so the authorities must give their fullest attention in enforcing the agreements. The agreement has been approved unanimously by the Investigating Committee with hopes that the authorities will not err in their enforcement and would render the best results.

"The result of the investigation has been reported as above.

"MOTODA: According to this agreement, matters concerning Japanese-Manchurian joint concerns with more than half of capital invested by opposite party must be deliberated by the committee. Is it proper to set the investments of both countries on an equal basis?

"Furthermore, the committee shall consist of four members from each country, from among whom the president is appointed by mutual election. The chairman not only has a right to vote but has the

power of decision, acquiring for himself a tremendous power. His term, moreover, has not been set.

"According to the investigation report the chairman is elected at every meeting, but such matters require more definite rules or it will give rise to doubts. I think it proper to set this rule in the agreement and also in the proceedings regulations. At any rate, with only the rules of agreement the question brought to the committee for deliberation are apt to be decided by the chairman alone. The agreement, I feel, is not completed on this point. May I hear the opinions of the authorities regarding this matter?

"HIROTA: By his question, I take councillor MOTODA to mean that should the committee consist of four members from each country Japan might be at a disadvantage in case a matter is decided by the chairman. I ask him to consider the fact that three out of the four from Manchukuo are Ministers and the remaining one is the Chief of General State Affairs who is, and will be, a Japanese forever, I am confident. Although he is an official of Manchuria, he is the central organ assuming the leadership of that country. Therefore, in case of a difference of opinions between

the two countries, it cannot be imagined that he will make any decision that will be disadvantageous to Japan.

"The chairman may make the final decision at times, but we felt it improper for him to have a permanent position, so we have adopted the system of electing the chairman at every meeting according to the nature of the matter to be deliberated. This point, however, may need full reconsideration when regulations for the proceedings are enacted in the future.

"In short, the set up of the committee may apparently seem equal on the part of both countries, but in reality it is not. Such being the case, we should like to have the agreement stand as it is despite some points that may be difficult to interpret.

"MOTODA: I do not think that there is any need of enforcing treaty rights between the two countries today, but not to form any agreement for this reason should be a lack of prudence. If agreements are to be formed, it should be made so as to be applicable to the nation's plans for a hundred years.

"It has been stated in the Investigation Report that the fullest attention should be paid in enforcing the agreement, that no error should be made,

etc. I hope that the authorities will give their full consideration to this point, which I think comprises many meanings.

"SAKAMOTO: I agre with the opinion of Councillor MOTODA. According to the Foreign Minister's reply, a Japanese is appointed as Chief of General State Affairs, and as he will do his duty as a Japanese, he will not act against Japan's interest. Should he act in favor of Japan in case of an opposition of the two countries' interest, he will incur the ill-feeling of the Manchukuo people. As long as he is an official of Manchukuo, we must not be too sure that he will not act against Japan's interest. I should like to ask the authorities' opinions on this point. Furthermore, there is no case in our country where a chairman is elected at every meeting. Can the authorities tell me of such a case, if it should exist?

"HIROTA: I take the question to mean that even if he is a Japanese, the Chief of General State Affairs must do his duty as a loyal official of Manchukuo; and that therefore, it will be impossible for him to decide in favor of Japan's interest. The Chief of General State Affairs, who is the general manager of the Japanese officials there, is employed

by the Manchoukuo Government to guide it. He is an official of Manchoukuo and simultaneously a leading instrument dispatched by Japan. He, therefore, must perform both duties, and it is his primary duty to see that there will not be any opposition between Japan and Manchoukuo.

"In case the Manchoukuo members of the Committee should purposely scheme to act against Japan's interest after the committee is formed, the Chief of General State Affairs will take proper measures after giving due consideration to the interests of both countries. It will be his duty to lead Manchukuo in such a way that such fear would be unnecessary.

"KURIYAMA: (Member of Investigation Committee): There was a question as to the existence of such a system of legislation in which the chairman is elected by mutual vote from among the members. The chairman of the Board of Directors of the League of Nations is generally elected by mutual vote at each meeting from among the members, and he acts as the temporary chairman until the new chairman is elected. The election of the chairman of the Joint Economic Committee will function almost in the same manner. We are thinking of establishing detailed prescriptions on this point

in the procedure regulations that will be set up in the near future. As the members of this committee are formally Japan and Manchoukuo on an equal basis, we have taken this form of election.

"SAKAMOTO: I feel that this committee is different from that of the League of Nations, but I shall not relate on that at present. The idea seems to be that there will be no mistakes because the Chief of General State Affairs occupying the important position of leading Manchuria is an official of Japanese descent. However, we cannot be too positive that the present relations between Japan and Manchuria will never change forever, so I hope the authorities will put their fullest efforts in fulfilling the points stressed in the Foreign Minister's reply.

"Chairman ICHIKI: As there are no more discussions, we shall omit the second reading and pass on to the vote. Those in favor of this plan will please stand up.

"(Every member stands up.)

"Chairman ICHIKI: The whole council has decided in favor of it."

The Agreement Regarding the Establishment of the Joint Economical Committee of Japan and Manchoukuo (IPS Document 2196A) was signed on the

15th of July, 1935.

BRIGADIER QUILLIAM: May it please the Tribunal, I offer in evidence IPS Document No. 2196-A.

THE PRESIDENT: Admitted on the usual terms.

CLERK OF THE COURT: Prosecution's document No. 2196-A will receive exhibit No. 851.

(Whereupon, the document above referred to was marked prosecution's exhibit No. 851 and was received in evidence.)

Spratt & Duda

THE PRESIDENT: The HIROTA mentioned as being present is the accused, is he not?

BRIGADIER QUILLIAM: May it please your Honor, I would like to check those names and refer to the matter later. I am not quite sure.

THE PRESIDENT: In this exhibit 850, the HIROTA mentioned was a foreign secretary.

BRIGADIER QUILLIAM: Yes.

THE PRESIDENT: And my colleague has pointed out that the biographical notes supplied to us show that HIROTA was foreign secretary at this particular time; HIROTA, the accused.

BRIGADIER QUILLIAM: I feel sure, your Honor, that it is the accused, but I would like to make the check as I am unable to say positively.

Will you proceed, Witness, please?

THE WITNESS: I will read that document, the import of which can be more clearly understood in the light of the preceding document.

"'Agreement Regarding the Establishment of the Joint Economical Committee of Japan and Manchoukuo.

"'Treaty 7. 17 July 1935.

"'WHEREAS the Imperial Government of Japan and the Imperial Government of Manchoukuo wish to materialize the rational union of economy of Japan

and Manchoukuo for the purpose of eternally strengthening the relations of economically mutual reliance now existing between the two countries and,

"'WHEREAS the Governments of the two countries recognize the necessity of close cooperation concerning important economical problems between the two countries, in accordance with the principle of the Japan-Manchoukuo Protocol signed on the Fifteenth of September in the Seventh Year of Showa, corresponding to the Fifteenth of September in the First Year of Daido, the Governments of the two countries have decided to establish the Joint Economical Committee and made the following Agreement;

"'ARTICLE I. The Joint Economical Committee of Japan and Manchoukuo shall be established in Hsinking of Manchoukuo.

"'ARTICLE II. The Committee shall present its opinion to the Governments of Japan and Manchoukuo in compliance with the consultation of the two Governments regarding the important matters of economical connection of the two countries and the control and inspection of the business of Japan-Manchoukuo special joint companies.

"'ARTICLE III. The Governments of Japan and Manchoukuo, concerning the matters mentioned in the

preceding ARTICLE, shall ask the opinion of the Committee beforehand and manage them in accordance with the opinion.

"'ARTICLE IV. The Committee shall be capable of making a proposal to the Governments of Japan and Manchoukuo concerning all the problems on the rational union of economy of Japan and Manchoukuo, as the case may be.

"'ARTICLE V. The organization of the Committee and its management shall be provided in the Annexed Papers to this Agreement.

"'ARTICLE VI. This Agreement shall be enforced on and from the day of its signature.

"'The text of this Agreement is written both in Japanese and Chinese and in case there rise any difference in construing the Japanese and the Chinese texts, the Japanese text shall be authorized.

"'In witness whereof, the undersigned, rightly authorized by their respective Governments, affix their signature and seal to this Agreement.'"

I will dispense with the reading of the structure of the organization.

"108. The creation of the Industrial Bank of Manchuria in December, 1936, furnished a means of financing the planned development of Manchurian industry."

"The Bank was originally capitalized at 60,000,000 yen and later increased to 100,000,000 yen. Officials of the Bank were appointed by the Government and its activities supervised by the Finance Ministry. The Industrial Bank was authorized to issue debentures up to fifteen times the amount of paid up capital and authorized to issue saving debentures to secure necessary funds for industrial development purposes. The facilities afforded by this Bank provided easy financing for preferred industries named by government policy which after all was Japanese dominated.

"109. In November, 1935, the yen bloc was established when Manchoukuo's currency was legally cut off its silver basis and stabilized at par with the yen. This action integrated the monies of the two countries, Japan and Manchoukuo. The yen bloc was enlarged in March, 1938, when Japan, her colonies, Manchoukuo and the dominated parts of China accepted the money notes issued by the Federal Reserve Bank of China. Under the regulations then put into effect Manchoukuo and China utilized the yen balances supplied by Japanese Banks practically as their exclusive currency reserves.

"110. The 'Essentials of the Five-Year Program of Important Industries by the War Ministry,' dated

29 May 1937, (Part I of Exhibit 842) discloses that the Japanese War Ministry in its planning intended to make use of the reserves and materials of Manchuria and North China. The following quotation is taken from page 1, paragraph 2 of that Document:

"'Although our Empire is made the subject in the promotion of important industries for national defense, the requisite industries (for national defense) should be pushed ahead to the continent as far as possible according to the principle of right work in the right place with Japan and Manchuria as a single sphere and in consideration of their necessity in our national defense, and, furthermore, observing the far-sighted future policy of our Empire, we should pick out the most important resources, should ingeniously take the initiative in economic exploitation of North China, and should make efforts to secure its natural resources.'

"This Document contains also a schedule citing a general goal for promotion of important industries in Manchuria, as well as in Japan, and expressing specifically the intention to supply certain deficiencies from Manchuria. However, 'The Outline of the Five-Year Plan for Production of War Materials,' (Exhibit 841), shows this planned integration to be vital to war expansion. I will read the following

excerpts from that Document:

"a) Page 3 (all).

"b) Section III, pages 5 to 7 inclusive."

THE PRESIDENT: You have not read this part before, have you, Witness, that is, sub-paragraphs 1 and 2 you are about to read?

THE WITNESS: Yes, I had intended to read.

May it please the Tribunal, I have read excerpts from page 3 before, with the exception of sub-paragraphs 1 and 2. For the sake of continuity of thought I had intended to reread the entire page.

THE PRESIDENT: We do not want it read again, Mr. Liebert.

THE WITNESS: I will read sub-paragraphs 1 and 2, which have not heretofore been read.

THE PRESIDENT: Well, if they are pointless they are not worth reading; perhaps they are, without the context.

BRIGADIER QUILLIAM: I suggest that you follow straight through to page 5, Mr. Liebert.

MR. BROOKS: If the Tribunal please, there have been other times when they have gone back and reread, and the defense does not have any objection to that part being reread. It does not make sense.

THE WITNESS: Section III, pages 5 to 7, Outline of Expansion. 1. Building-up on the continent.

"1. In the 5-year Industrial Plan of Manchoukuo, proper guidance will be given to the group

of war industries such as aeroplanes, arms and automobiles and in addition to increasing and strengthening the national defense value of this plan, the establishment of industries for the manufacture of necessary parts and raw materials will be encouraged and various machine tool industries convertible into these in time of war will be cultivated.

"'Accompanying the carrying out of the economic development of Korea, efforts will be exerted towards the promotion of major industries according to the preceding paragraph.

"'2. Government-managed arsenals will be newly established or enlarged as a nucleus for the guidance of war industries in Manchoukuo and Korea.

"'3. As for the war industries in Manchoukuo and Korea and others convertible into these in time of war, emphasis will be laid on Southern Manchuria and Northern Korea, in particular, from a military point of view and for the present, guidance will be so given as to have these established in the following areas:"

Areas a, b, and c are not relevant.

"'In addition to the above, however, the creation of such industrial zone within the Tungpin-Tao District will be considered depending on its

future development. Furthermore, the cultivation of war industries may be undertaken, if necessary, even in the industrial zone of Eastern and Northern Korea. Facilities within the industrial zones and areas will be suitably dispersed as a precaution against air raids.

"'4. Relative to the setting-up of industrial zones in Manchoukuo and Korea, consideration will be sought for the gradual realization of the following transportation facilities:"

I will omit that portion.

"'5. Maximum effort will be exerted toward overcoming the various factors impeding the speedy construction of the war industries in Manchoukuo and others convertible in time of war.

For this purpose, attention will be given to the following items:

"'a. Absorption and acquisition of capital.

"'b. Acquisition of technique and labor.

"'c. Adjustment of both munition and civilian demand industries and preparation for conversion into wartime production.

"'d. Elimination of lags within the various related industries.

"'e. Counter-measures against depression and development of export measures."

"'f. System and organization of enterprises.

"'g. Cultivation and protection.'

"111. It was also the intent of the War Ministry to fully utilize the resources of Chosen (Korea). Integration had already been effected during the four decades in which Chosen had been completely dominated by Japan. Financially, Chosen was controlled by Japan through control of investments as well as through the operation of the Bank of Chosen which was an official bank of issue of Japanese currency and the single effective instrument by which fiscal policies of the Japanese Government were carried out in that territory. So strong was the hold of Japan over the economic structure of Chosen that approximately 97% of all corporations (Kaisha) doing business in Chosen were controlled by Japanese. When one adds to the picture the fact that the Government of Chosen was completely Japanese, one can understand the completeness of the integration of the two economies under the control of Japan.

"112. Since the turn of the Century the economic structure of Taiwan (Formosa) has also been dominated by Japan. Taiwan is predominantly an agricultural territory normally exporting sugar, rice, and sweet potatoes. What few industries it had were developed predominantly by the Japanese. Like Chosen, dominance

was exercised through control of investments and control of the Government. The Bank of Taiwan, likewise an official bank of issue of Japan, carried out the fiscal policies of the Japanese Government in that territory. Similarly, the Commercial and Industrial Bank of Taiwan (operating as it did in purely commercial circles), was at the disposition of Japanese policy makers. Formosa, like the mandated islands in the South Pacific, was, in all factual respects, a colony of Japan.

"113. The direct integration of the economy of China into that of Japan did not commence until a later date. The integration, however, was planned by the War Ministry to carry out the military objectives as previously cited in paragraph 110 of this statement. Further evidence of planning to use the facilities of China for war purposes is disclosed in the 'Resume of Policy Relating to Execution of Summary of Five-Year Program of Important Industries,' dated 10 June 1937, (Exhibit 842), which states on page 1, sub-paragraph B, the following:

"'This plan is for the establishment of a plan for the expansion of the productive power of the major industries of our country based on the policy for the establishment of a comprehensive plan

for Japan, Manchoukuo and China through close contact and coordination among Japan, Manchoukuo and China.'

"114. During the first year of hostilities in China, 1937-1938, the Japanese Army used the bank notes of the Bank of Chosen in North China and the bank notes of the Bank of Japan in Central China, together with scrip denominated in yen, so-called 'military' yen. However, the practice of using currency in occupied territories which was valid for circulation in Japan had disturbing effects upon Japan's monetary structure. As a consequence, the practice of using official Bank of Japan notes backed by specie was definitely abandoned in the autumn of 1938, at which time the Federal Reserve Bank of China was formed and the yen bloc extended through the use of the facilities of this bank. The Japanese in North China made use of the new local currencies issued by the Japanese-dominated Federal Reserve Bank of China, whereas in Central and South China the 'military' yen became the sole legal tender of the Japanese Army.

"115. A word might be said of the Federal Reserve Bank of China. The Federal Reserve Bank of China was incorporated on February 11, 1938, and commenced actual business on the 10th of March of the same year. The main purpose of the bank was to

stabilize currency and control the money market, and foreign exchange; and for such purposes it was authorized by the government to manufacture and issue currency. The Governor and Vice-Governor of the bank were appointed by the government, and its directing personnel were mainly Japanese. The currency issued by the Federal Reserve Bank of China was linked to the Japanese yen, and so paved the way towards Japanese investments in North China and greatly facilitated the exploitation of this territory. The original credit of the bank was established by a credit of 100,000,000 yen from the Japanese Banking Syndicate. This Japanese government dominated bank, becoming as it did the 'Bank of Banks' in North China, through careful extensions of preferred credits and the manipulations of its funds and foreign exchange, carried out the Japanese Government's policies in financial fields within the area dominated by the Bank."

"116. The 'military' yen used by the Japanese Army in China did not represent an obligation of the Government, nor that of any Japanese bank. These notes lacked the coverage of specie or foreign exchange reserve, and were not convertible into the free yen accounts with Japanese banks, nor were they redeemable in specie or foreign exchange. Japanese military notes of this character were simply worthless fiat money, and the use of these notes was one means by which the Government forced China to support the Japanese armies and the commercial undertakings of the armies at no cost whatever to Japan. The 'military' yen were put into circulation in payment for goods and services by the army of occupation and withdrawal was made through fiscal levy and the sale of goods and services by the army of occupation.

"117. The wholesale use of military currency in denominations other than yen was anticipated by Japan in planning for the conquest of the southern regions. As early as January 1941 responsible officials with the Government directed the preparation and printing of military currencies in foreign denominations. A series of secret communications by the Government departments during the year 1941 is contained in IPS document 9022. This document discloses that the

Government caused stocks of military currency to be printed in denominations of guilders, pesos and dollars and that it was intended to use this currency to defray war expenditures of the Japanese forces in Dutch East India, British Malay, British Borneo and Thailand and the Philippines."

BRIGADIER QUILLIAM: May it please the Tribunal, I offer in evidence IPS document No. 9022-A.

THE PRESIDENT: Admitted on the usual terms.

CLERK OF THE COURT: Prosecution's document No. 9022-A will receive exhibit No. 852.

(Whereupon, the above-mentioned document was marked prosecution's exhibit No. 852 and received in evidence.)

THE PRESIDENT: It is a document of great length, containing many tables of figures. You do not propose to read excerpts from it, but to read the whole, I understand, Mr. Liebert?

You may be able to prepare a summary between now and tomorrow morning. We would prefer a summary. We realize the great importance of the document, but a summary should meet our purposes.

We will recess now until half past nine tomorrow morning.

(Whereupon, at 1555, an adjournment

was taken until Wednesday, 23 October 1946, at 0930.)

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